

FAR EASTERN ECONOMIC REVIEW

Vol. XXIV

Hongkong, April 10, 1958

No. 15

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NEW FOUNDATIONS OF INTERNATIONALISM

By Rammanohar Lohia

All political parties in the world today live from hand to mouth in the sphere of international policy. They do not dare to think in long range terms. The menace of war or conquest hangs over them and they are therefore permanently anxious to remove the immediate friction and apply surface medicines. But the world is basically diseased in its international relationships. Its foundations have rotted. New foundations have to be laid. This cannot be done by treating one or another surface expression of the basic disease.

Political parties have chosen to become drum-beaters for their native governments, either for the one that already exists or the one that they are striving to establish in its place. It would be no exaggeration to say that political parties loud-speak the needs of their foreign offices, though not necessarily of their present controllers. But they frame their resolutions as though they were all in office. They are afraid to think radically. They fear loss of the vote through too radical thought. They also fear that they may be unable to practise in office the radicalism they profess out of it. These two fears are interrelated. Fear of the loss of vote and anxiety over inability to practise theory stem from the single source that existing civilization has entered its autumn or even perhaps its winter. This civilization has become very old. It has built up heavy interests, which are manifold and are almost unassailable. These interests dominate thought, in particular international thought. Not unless a political party has clearly perceived that the existing

civilization must be replaced by another and that therefore new foundations of human living have to be laid, would it be in a position to think of international policies in the long range. The decade after the end of the last world war unfolded itself as though to illustrate this fact.

Political parties of all hues propagate palliatives, never any enduring solutions. The most seemingly revolutionary of these parties, the Communist parties, concentrate their efforts on propagating the need for great-power or four-power meetings and pacts for the abolition of nuclear weapons. But never a word on the fundamental alteration of the international institutions of humanity.

Official socialism, whether European or Asian, is, if anything, worse than Communism. It has nothing new to offer. It does not even venture to suggest amendments. It only yaps at the heels of the United Nations, sometimes like a dog that wants to attract the attention of its master. All its resolutions have centered round the United Nations and the current concept of collective security. It has nothing to say except that the United Nations should be somewhat more active in its resolutions and deeds. It is, so to say, an advertising agency of the United Nations, asking the advertiser to varnish his wares. Socialists in Europe have taken up certain additional items such as the liberation of Eastern European lands or sympathized with their refugees. Asian socialists have discussed local disputes and asked for cease-fires. Its resolutions on disputes among its own constituents have been laughable in the extreme. On the questions of Kashmir and Israel Asian socialists have nothing to offer, except that the dis-

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putants should confer and agree. Their resolutions are hard to equal for inanity in all the history of the world.

There are other political parties in the allegedly neutral countries, nationalist, conservative or pseudo-socialist, which have left their thinking on international affairs to their foreign offices. There are of course some parties which are attempting nationalist undertakings with profound international consequences. Such are the parties that are seeking to achieve national freedom or nationalization of exploitative foreign capital. They are indeed laying foundations for a new world but only to a limited degree and indirectly. They are neither advocating nor practising any international policies which would reform the basis of relationships among the nations of the world.

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Some suggestions for changes in world relationships have indeed been made. Abolition of the veto in the United Nations, for instance, is an amendment which doesn't by itself change international relationships even in a small way, but which is designed only to aid that group of powers which can command an almost permanent majority. If those who are asking for abolition of the veto thought of world peace comprehensively and basically, they would simultaneously advocate other items of reform in the United Nations Charter. Abolition of the veto, universality of membership and abolition of permanent membership of the Security Council or of the great power system are three inter-related items of Charter reform. None of them is less weighty than the other. The achievement of any one of them to the exclusion of the others may in fact cause further deterioration and only their joint realization can improve international relationships. But even these three reforms are not of a fundamental character, for they leave unaltered the national basis of representation in the councils of mankind. They would indeed make radical changes in the composition of the decision-making organs of the United Nations, but mankind's representatives would continue to be nominated by the different national governments.

While political parties have refused to think of international policy except from day to day, there are certain groups who are groping their way towards the realization of the human crisis and the need to build on new foundations. Pacifists, liberals, some men of religion, world citizens, are trying at least partly and most often irrelevantly to go to the root by suggestions like the international registration of world citizens. Others are trying to "mondialize" their towns and villages, by voting for a declaration, which, though currently meaningless, might become important in the future, that these belong not alone to their nation but also to the world. The number of conscientious objectors is indeed not multiplying, but still they stubbornly refuse to disappear. The conscientious objector is an outward expression of

the fact that there are at least some who refuse to take up arms on behalf of their nations. Then there are those who believe in world government. They are not quite clear as to what they expect this government to do and are often willing to remain uncreatively nebulous in the interest of compromise and numbers. But they do grasp the essential fact, formalistic in itself, that man must achieve an authority beyond the national.

A section of these groups has thought its way through to the institution of the world parliament. Such persons have also made some ineffectual attempts at convening a peoples' World Convention. They want the element of adult franchise to become the key-stone of their structure. Man should be enabled to elect a world parliament in the same fashion as he today elects his national parliament. All international authorities hitherto have enjoyed only such powers as have been voluntarily granted to them from time to time by one or another sovereign national authority. Allegiance and loyalty have been given to national authorities and not to international ones. This could not be otherwise, for international bodies consist of representatives of national governments and not of the peoples. Once the peoples of the world start electing their world parliament on the basis of adult franchise, they would begin to give their allegiance and loyalty, in however partial a measure, to the international authority.

Adjustment would not be easy in the beginning. Two authorities will clash for a hold over men's minds and heads. Incidents may also occur as a result of this clash. The international authority may for the time being go under, collapse and disappear, for it may prove to be the weaker of the two. But it will reappear. The clash between the king or nobles and the national parliament will be re-enacted on a larger scale between national governments and the world parliament. During the earlier clash king and nobles often won the earlier rounds. But the allegiance that they claimed over men's minds slipped with each victory that they obtained. Men saw in the national parliament a more reasonable and desirable instrument for self-government. They were therefore prepared to suffer and lose and then rise again in order to achieve this instrument.

What seems to make the eminently desirable institution of world parliament elected on the basis of adult franchise unreasonable is the accumulation of a type of historical dead-weight. Some nations are more populous than others, some fantastically so. India and China among the colored peoples and Russia and America among the white peoples would overwhelm all others in a world parliament. But in actual fact this danger is not as great as is feared. Adequate civil liberty and freedom of organization must necessarily be obtained before a world parliament can be elected. There will therefore be conflicting world parties, however loosely their national constituents are joined. World parliamentarians are likely in course of time to

associate more with their kinsmen of mind and opinion in other lands than with their compatriots of race or language. This, however, is no sure guarantee, at least not in the early stages. Adult franchise will therefore have to be either reinforced or restricted. Reinforcement can come through the institution of a Senate or an Upper House, to which the existing nations of the world send equal numbers of representatives irrespective of the population. Restriction can come by giving weighted representation to areas of smaller populations through regional groupings, and the like.

What powers should the world parliament possess? These powers must necessarily be of a very limited character in the beginning, though not so limited as to deprive it of all meaning. There must be some powers of reconstructing and policing the world, and, above all, unhedged powers of debate. All national parliaments began their career through the right of debate, and their control over money, army and police increased as they debated. Nevertheless, the question of a minimum of powers must be broadly settled. World parliament and its government must in the first instance be able to reconstruct the world economy, to improve agriculture or industry where such improvements are needed.

The problem of policing may be similarly handled more or less eclectically, though certain broad outlines may be drawn. It would be both hazardous and wasteful to burden a world parliament with large-scale armed forces. It must very largely depend on the power of debate to settle disputes. In exceedingly stubborn cases, it may depend on such allegiance as it can claim from national governments and the levies of armed forces that it can obtain from them. It may however make small beginnings towards the formation of a world force. National parliaments were achieved through clash and revolts and war. Kings and barons did not surrender their authority without a fight. There is little reason to believe that nations and their governments, in turn, will surrender authority, even partially, without a fight. This is all the more true in view of the fact that national governments command the emotional allegiance of their citizens far more than kings and nobles of former times did. They will have popular support behind them in any conflict with the advocates of the idea of world parliament. Petitions therefore will be of no avail, at least not by themselves. Petitions made by national parliaments to their kings had to be reinforced by popular uprisings. A popular uprising which aims at installing a world government, against the will of the national government elected by popular vote, is difficult to contemplate.

The weapon of civil disobedience achieves an almost miraculous significance in this connection. If civil disobedience is carried out wrongly or for wrong purposes, it can only hurt the doer. But when used correctly, however, it has the unique advantage of changing the opinion of millions within a short span of time. Propaganda and instruction

alone take such a length of time as to cancel the aim. Voluntary suffering by the more energetic advocates of a new and desirable idea attracts attention and changes the opinion of multitudes within a more reasonable period. Forces must therefore arise in all parts of the world to propagate the idea of world parliament and also to organize civil disobedience for its attainment. The actual start of such an international civil disobedience movement may come years after effective national parties have espoused the program of world parliament. But that day will be glorious in the annals of mankind.

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An aggressive presentation of genuine internationalism may begin to acquire adherents sooner and faster than most people imagine. Such a genuine internationalism must however be brought into immediate relationship with the day-to-day affairs of the multitudes, that is, with their national life. The temptation to limit this program to existing socialist parties must be resisted. In the first place, a new departure in man's destiny should not be restricted by the attachment of a rigid label. Persons should be free to use the name of their choice, provided the internationalism that they represent is built around the element of adult franchise. In the second place, in many lands the existing socialist parties have forfeited their authority to speak on behalf of the mass of their own peoples and they have almost never possessed the authority to speak on behalf of the peoples of the world. There are however valuable elements among these parties, and these elements must be persuaded to adopt the new program. The problem, however, still remains: which type of national thinking is to be associated with the internationalism of world parliament?

This question can best be answered by a simple statement of what an American or a Russian should currently do in his country. We assume that the hunger for equality is universal: equality in every sense of the term. Political craftsmanship consists in extracting such minimum and limited meanings of equality as would on the one hand be relevant to the existing situation and on the other bring about a significant change in it. Struggle against rising prices, equality for the Negro, socialized medicine, come easily to mind as national programs with significance for the current American scene. They are only illustrations. An American party that is pledged to the achievement of a world parliament and at the same time to the solution of such national problems of equality, would acquire increasing meaning in the eyes of the American people in the measure that it intertwines its national and international objectives and pursues them with equal vigor. A Russian, pledged to the international objective of world parliament, would similarly have to take up the national questions of civil liberty or special privileges. The question may be asked how questions of civil liberty can be raised in a country where none exists. As a matter of fact, the answer is implied in the question. Ignorance concerning

man's spirit and its infinite capacity to revolt has distorted man's vision. Not even totalitarianism can crush this spirit wholly or for all time. Ideas travel. Even when they do not, the contemporary scene affects all men somewhat similarly in all lands. Where civil liberty does not exist, these ideas lie dormant and unclear in man's soul, to sprout at even the remote rustle of a debate. Furthermore, when nationally effective parties pledged to the institution of a world parliament begin to operate in other parts of the world, the news must spread to Russia and similar lands.

* * *

International groups of opinion already committed to the reduction of national authority find it somewhat embarrassing to take up national questions and sometimes even to put a concrete meaning into their internationalism. They suffer from a mistaken notion that their influence would diminish if they did so. They should now realize that collec-

tions of pious opinions are of no value, even if such opinions are expressed by men in positions of authority. It is true that a time may come when the existing parties, socialist, communist or republican, may begin to be disturbed by internal minorities of advocates of world parliament. But such a minority and the irritation that it may cause its parent body would largely be the consequence of the appearance of a new political party based on the intertwined objectives of national equality and world parliament. Such a party must come into existence in all lands, though its international unity may take time to mature. World conferences have become so expensive and otherwise so difficult that they are rarely without governmental or semi-governmental patronage. Elements that desire a revolutionary reform of international relationships must content themselves at least in the beginning with correspondence and the spread of ideas. When they take root in their national soil, the time for a world combination will have come.

THE DISORDERS IN INDONESIA

Once armed force becomes the arbiter of internal politics it is difficult indeed to revert to pure Parliamentaryism and the peaceful processes it implies. The first armed rebellion in Indonesia already seems to have been a mere flash in the pan. Unless even now all the forces of conciliation are mustered there will be other outbreaks, each perhaps more serious than the other. The real division in the country is between men of moderation whose spiritual motivation—as officially recorded in the Panch Shila—is religious; Muslim not Marxist; and those who adhere to the materialistic system of Marx and Lenin. It is unfortunate that the rebels could not wait till a breach occurred, as it must, between the Nationalists and the Communists. They may be able to continue to work together under President Sukarno's guided democracy—which really involves the subversion of Parliament and the flouting of the recent general elections. But sooner or later the intolerance of the whole Communist creed makes a split between them inevitable.

Co-operation may proceed to considerable lengths as it did in China between 1924 and 1927, but Communists have no use for coalitions. They are completely foreign both to their creed and to their practice. Had the democratic parties stayed together, and, what is equally important, had they shown some of that power of constructive action the lack of which is fatal to such parties, Communism in Indonesia might never have recovered as much as it has from the defeat sustained at Madiun when they tried to seize power by force. By reason in the first place of the fateful decision of the President to prefer co-operation with them instead of with Dr. Mohammed Hatta, the outstanding Indonesian statesman and head of the Masjumi, and secondly because of the ineptitude of the Nationalists who have so long dominated the Government, the Communists have witnessed a remarkable recovery since the days of Madiun. In that premature rising in 1948 which had much the same fate as the appalling Communist regime in North Kwangtung (Hoilukfung) and the Canton Commune of 1927, not only were most of the Communist leaders killed or imprisoned, and the Party organisation broken up and dis-

persed, but non-Communist Indonesians were antagonised by the treachery of the Communist stab in the back during the struggle for independence.

Communist political resurgence has been achieved primarily by parliamentary tactics. The PKI draft programme in 1954 emphasised that the party should not neglect Parliamentary activities but should on the contrary take the most active part in them and where circumstances were favourable, support the Government or even participate in it. These tactics were subsequently endorsed by Khrushchev at the 20th Congress of the Soviet Communist Party, when he stated that, although in Lenin's day revolution could only be achieved by violence, the historical situation had undergone radical changes which meant that in certain favourable circumstances the winning of a stable Parliamentary majority, "backed by a mass revolutionary movement of the proletariat and of all the working people, could create for the working class (i.e., the Communist Party) of a number of capitalist and former colonial countries the conditions needed to secure fundamental social changes." The result of such tactics, and of the complaisance of the Nationalists and of the President himself, is that the Communist Party were well on the way to mustering ten million votes, of which 8½ million had already been secured by the middle of last year in the local elections.

Of course, their leaders insist that they are not planning to try to seize power by force, but nobody really believes this, unless they look like getting an overall majority. Actually they have not been able in the aggregate to muster more than about one-quarter of the total votes and sooner or later the natural tendency of the Marxists will tempt them to violence. But the two major Muslim parties, as well as a large part of the Nationalists, adhere staunchly to the Panch Shila, which cannot easily be reconciled with Marxism.

It is a thousand pities that the partnership between the President and his colleague Dr. Hatta was ever broken. Indonesia will continue for a long time to come to suffer

for this. There is of course more than one issue—that of co-operation with the Communists—between them. Dr. Hatta is also in favour of a larger degree of autonomy, and this is indeed indispensable to a country consisting as does Indonesia of thousands of islands scattered over 2,000 miles of ocean. The autonomy cannot go much beyond internal self-government. Fiscal policy, army, customs, communications and the obvious central organs must be administered by the Federal Government. But even a Communist dictatorship could hardly sustain a complete subordination in all things of all the various islands. The ideal set-up was that put forward at the round-table conference but rejected not on its merits but because of the inveterate and unreasoning suspicion of the Dutch.

The Communists are not easily kept within bounds. It is known that only a few months ago the P.K.I. leader Aidit had to restrain his more hot-headed Party followers from indulging in violent tactics on the purely opportunist ground that should the PKI engage in an armed revolt they would only be defeated since they had neither arms nor the men to secure victory! The situation which has since developed may cause a change of tactics, though a second Madiun would be fatal to them. But they are clearly fearful of control by anti-Communist leaders who might outlaw them. And here it is that the role of the Army becomes the major question mark. The Colonels have been ubiquitous in the recent troubles in Indonesia as they were in the "Egyptian Revolution" and in the manoeuvres which have been going on in other Muslim countries.

None of the revolutionaries really seeks separatism, however much they favour autonomy. Dr. Sjafruddin, who heads the so-called revolutionary regime in central Sumatra, proclaimed on March 22 that the ultimate aim is to unite all of Indonesia. "There is no idea of separating Sumatra from Java: we will never be satisfied until the whole of Indonesia comes together." He added that politically they were strong but militarily inferior: "but Sukarno cannot beat us by military means." Indeed it is said that the symbolic appeal of the rebel regime, despite its lack of air and naval craft and its relative lack of ground forces, was considerable and not in Sumatra alone but even in Java. Whether that is or is not true it is impossible for an outsider to tell. The chief charge bandied about freely is that the present regime has been riddled with corruption.

Be that as it may, the financial straits of the regime have been reduced almost to the state of the Japanese occupation, when banana money was issued by the ton, no goods came in, the people were desperately short of supplies, and the native products were ruthlessly exploited. In December 1956 the central budget deficit was in the neighbourhood of 1,000 m. rupiah, and it is estimated that it quadrupled in 1957, owing to the effect of barter trading. In spite of the wild accusations of intervention, which have never been substantiated and have mostly been broadcast for purposes of propaganda and internal politics, neither the South-East Asia Treaty signatories nor any other Powers intimately concerned are tempted to intervene. And the American suggestion about Pakañ Bahru was simply confined to the rescuing of the large number of American oil personnel and their families in the heart of Central Sumatra. Nor does there seem to be the slightest desire on any side for foreign mediation. Mr. Casey, the Australian statesman, had emphasised how seriously concerned Australia is over the growth of Communism in Indonesia, but in the same breath he disclaimed any idea of intervening or even mediating. Indonesia's future is indeed precisely what the Indonesians make of it. It has no historical record at all of independent existence. But there is no question what-

ever that unless there is another world war the Indonesians have their future wholly in their own hands.

The disorders overlap to Malaya and to the very shores of Singapore. To say there will be no intervention is not to say that others are disinterested. Hongkong values Indonesia as one of its best trading partners. We need and need badly the imports from Indonesia which go to feed several of the most important industries here; they need the large volume of exports which Hongkong has been sending them. We have still been taking more imports from Indonesia than in the same period last year, but exports to Indonesia from Hongkong have fallen steeply. They amounted to nearly \$48 m. in January 1957 and fell to less than \$15 m. in the same month this year. The stake Hongkong has in Indonesian peace and prosperity will be made quite clear from the total figures of the mutual trade in the past two years. Exports in 1956 totalled over \$500 m., falling to \$312½ m. in 1957, though imports rose remarkably in the circumstances and at a total of \$126¼ m. were double the 1956 total. Indonesia was in fact Hongkong's biggest customer in 1956 and was still in the first three last year.

It is easy to see, therefore, why it is that Hongkong is concerned over the conflict, all the more so since the

HONGKONG'S ECONOMIC POSITION

Hongkong has been looking closely at the economic situation both in this part of the world, and in the larger sphere with which the Colony now has trading links. It has been doing so through the eyes of some of the leading bankers and merchants, as well as administrators, who have appraised the trends calmly and dispassionately. Terms like recession and depression, which still have the dread ring of the early thirties to them, were scrupulously avoided. The Governor of Hongkong, in his Budget speech, spoke only of two shadows: the effect of the European free trade area, which is unlikely to be immediate either for good or ill, since the area has yet to be formed and is the essence of gradualness; and the continued pressure from Lancashire—which is inclined to pick on the pigmy among the giant competitors like India and Japan. He was less perturbed than some others over the increasingly adverse trade balance, which in truth looks far more threatening than it actually is, since invisible income makes up most of the margin. Hongkong could in the event of a real emergency take the measures which could counteract it, and take in much more of our own washing. But there are several facets to the existing situation which, when added together, do warrant the cautious if confident spirit which now obtains in thoughtful and expert circles here.

The bankers, of course, were not and could not be, limited to the purely local view. They have all Asia for their custom and their horizon and one may no longer talk of this resurgent Continent, with its teeming millions, either with the unflattering proletarian description of "the masses" or with the equally indiscriminating generic term of "Asia." Nor can Hongkong quite ignore her neighbours, who are now all numbered among our clients. But bankers, engineers, and merchants alike betray a common vein of caution in all their reports, albeit not without a prod or two, such as that from the President of the Engineering Society, who told the Government it was time it gave a

whole attitude of the Communist Press both in Indonesia and in Peking is provocative in the extreme. "SEATO plots to buy and rebel plots to sell Minahassa to merge it with British Borneo" (Suluh Indonesia, Jakarta); arms dropping just in time to supply Government instead of rebel forces, at Pakan Bahru; and other stories all serve the same tendentious and significant end. Yet through it all is the clear desire to foster and sustain Communist intervention, Communist participation in the Djakarta Government, and Communist hostility to all the Western Powers. The spirit is just as sinister and irresponsible as that which provoked the war in Korea and the Spanish Civil War before it. As Dr. Sjafruddin said in a broadcast on March 24 from Padang, it is untrue that "foreign Powers" are aiding the Padang regime: "if it were true, we could crush the Jakarta Government in no time." Possession of towns means little if the rebels have to take to the jungle in such country as Sumatra though the national and local economy may be strangled. The Padang representative said in London that a compromise between President Sukarno and Dr. Hatta (which can alone bring peace) is now impossible. It is a great pity. It is the only way of ensuring against further strife. The lesson of Korea and Indochina is that if a division along vertical lines is a failure or is impractical, then the only practical solution is the horizontal division as in North and South Vietnam and Korea, within which each may plan his own "fancy" and secure maximum aid in developing each part of the divided land.

proper lead in the controversy of tunnel, bridge, and Western Approaches. And what the General Chamber had to say about the terminal building at the new airport shows the spirit of vigour and desire for positive action which accompanies the current mood of critical if confident self-examination. But it seemed to ignore the circumstance that it was precisely because the ideas for a terminal were deemed too grandiose that they were referred back, though the Chamber was perfectly justified in its criticism that the two years spent on building the runway ought likewise to have been devoted to the completion of all plans for the terminal building. But while weaknesses in the Colony's economic position are exposed, in several instances a good lead is given about how to meet and counteract them and thus maintain the astonishing progress the Colony has made since the minor slump after the outbreak of the Korean war.

Hongkong may be caught out wasting time or even in being behindhand on occasion. But there are few places in the world where such a close inspection and public appraisal are given every year of the condition in which we have our being. The Chairmen of the Big Six Banks, as all know, say the last and most authoritative word on the economic conditions in the United Kingdom as a whole. The heads of the Hongkong Bank and, more briefly, of the Chartered Bank, the Chairman of the General Chamber, and the Governor and Financial Secretary all take soundings as Spring comes each year, and what they tell us has much the same authority as the words of the Big Six.

The pressure of population is still Hongkong's major and fundamental problem, and with it all it means in the way of more housing, more schools more hospitals, more amenities of every sort, and more and more expenditure. Yet at present, though we think in terms and figures that would have been regarded with complete incredulity, if not as utter madness, by the previous generation, it is rather the conditions at large outside the Colony that cause present doubts. That is in a way the measure of that stout-hearted confidence with which Hongkong has always regarded its own problems. We can hold on to a record of achievement here which cannot be surpassed per capita or within anything like the same square mileage. But there is a growing awareness of the fact that just as we have never been able to trade with ourselves alone, neither can we exist with ourselves alone. And as a result a more anxious glance is now cast around us: to the United States in the first place, and then to the markets in S.E. Asia which, like Indonesia, have already been seriously affected.

As the Chairman of the Hongkong Bank (Mr. Cedric Blaker) said, all the indications are that the population of Hongkong will continue to grow, and this in turn will necessitate considerable future industrial development. It was at this point that he permitted himself a question-mark. "I sometimes wonder whether this will be forthcoming." The Colony had been fortunate in the inflow of capital in recent years, much of which had built up the new industries, but it "would be unwise to rely on this continuing indefinitely." Indeed much of Hongkong's good was derived from other's ills, and while regular remittances may well be expected the emergency flood of funds seems to have expended itself.

And the adverse balance of trade mounts at the same time as the volume of escape funds falls to a relative trickle. A difference of over \$2,000 million in favour of imports

CHINA'S 1958 INDUSTRIAL PRODUCTION TARGETS

Power Projects—Peking boasted that 35 major electric power projects will go into full or partial operation this year, adding more than 900,000 kilowatts to the total power capacity. This year, China's power industry is expected to turn out 22,450 million kilowatt hours of electricity, 17% above last year.

Steel Industry—China's iron and steel industry this year plans to turn out 7,320,000 tons of pig iron, 6,240,000 tons of steel and 4,820,000 tons of rolled steel. These figures represent increases of 24.1% in pig iron, 19.2% in steel and 13.1% in rolled steel over 1957 targets. The first blast furnace belonging to the new integrated iron and steel works which are going up at Wuhan will go into production before the end of this year. At the Paotow Complex in Inner Mongolia, work will begin this year on the first big automatic blast furnace, a coking plant, an iron mine and other projects.

Machine-Building Industry—New products to be trial produced this year include electric locomotives, new types of

steam locomotives, 10,000-ton ocean-going vessels, various types of motor vehicles, complete sets of television equipment and electronic computing machines. New products to be trial produced for agriculture will include tractors, automatic combine harvesters, small-type coal gas engines and hydraulic turbines. Trial production will also begin this year on blast furnaces each with a capacity of 1,513 cubic metres, complete sets of medium steel rolling equipment, high-pressure boilers each with a capacity of 230 tons of steam per hour, complete sets of 25,000-kilowatt steam turbine power generating equipment, 72,500-kilowatt hydraulic turbine power generating equipment, new types of machine tools and complete sets of cement mill equipment.

In all, the output of the machine-building industry will go up this year 20% above last year's. Compared with 1957, China will produce 51% more steam locomotives, 34% more railway passenger cars, 73% more lorries, 96% more paper making equipment, 55.6% more sugar processing equipment and 51.9% more bicycles.

China's First Motor Vehicle Plant in Changchun will turn out 18,000 various types of four-ton trucks this year. The output of motor vehicles will include 11,000 four-ton "Liberation" lorries, 2,000 four-ton gas generator lorries, several hundred four-ton cross-country lorries and a number of tip-lorries. The output will also include chassis, motors and other assemblies and parts for assembling into other types of vehicles. Factories manufacturing motor vehicle parts in Nanking and Shanghai this year will produce a number of 2.5-ton lorries and 2.5-ton gas generator lorries and 500 one-ton three-wheeled lorries. China's motor vehicle industry this year will design and trial produce five-ton petrol lorries, five-ton coal gas lorries, five-seater passenger cars, 1.5-ton lorries and 2-ton cross-country lorries.

A heavy machine tool plant now going up in Wuhan will be in operation before the end of the year. It will turn out 260-ton vertical lathes with an eight-metre working table, 200-ton gear hobbing machines with an eight-metre working table, heavy horizontal boring machines, planer-type milling machines and planers, indispensable for machining big parts for electric motors, electric generators, locomotives, giant blast furnaces and open-hearth furnaces. When the first section of the Taiyuan Heavy Machinery Plant is finished this year, it will turn out complete sets of steel rolling equipment for making big structural shapes, medium steel plates and seamless tubes. The plant will produce 2,600-ton hydraulic presses and other forging and press equipment, 350-ton overhead travelling cranes for steel ingot casting complete sets of equipment for coke oven batteries and powerful air compressors for synthetic ammonia and nitrogenous fertilizer industry. A mining and ore-dressing equipment plant in Loyang, Central China, will this year begin turning out hoisting machines and ore-dressing equipment. A tractor plant in Tientsin this year will turn out, on a small scale, the country's first consignment of tractors.

Chemical Industry—Enterprises under the Ministry of the Chemical Industry this year will increase output value by 34% compared with last year. Capital investment for construction of chemical projects will come to 500 million yuan, or nearly one-third above last year. Construction work will begin on a pharmaceutical works, a synthetic rubber factory and a number of other chemical works. More

would have brought the bell-ringers out with a vengeance in the tight little years before the war, and there would have been little doubt for whom the bells tolled. Nor is the difference quite so illusory as complacency might like to pretend. It is an immense leeway to make up in other ways. Invisible income has no doubt made up, and more than made up, the difference with so many abnormal transfusions of blood from other communities. But "private enterprise might not be tempted to invest to the extent it has done in the past" if the time came when invisible income failed to make up the difference.

Then a more positive approach by the Government here might prove necessary to fill the gap. While the supply of flats for the more well-to-do members of the community has probably reached saturation point, an ever-growing demand exists for smaller flats for the lower income groups. Meanwhile it is suggested that it would be wise to consider some preliminary planning to avoid being taken unawares.

The bankers seem far less pessimistic about their own position than the superficial observer of the contemporary international scene who, in the words of the Chairman of the Chartered Bank, might suppose that few, if any, of the Asian countries hold opportunities for the British banks. There have been reactions against what is loosely and often mistakenly termed "financial imperialism," but most Asian countries realise that an efficient international banking service can play a powerful part in sustaining the economic defences of an undeveloped country struggling to be free and prosperous, and that foreigners practising banking in their territories can be trusted by their hosts. Mr. Grantham pointed out that while the Chartered Bank's primary function is that of an exchange bank, they have, during the past twenty years, operated to an increasing extent within the domestic economies of the countries to which its organisation extends. These credit operations are financed by local deposits and, where they exist, local money market facilities. In proportion to the extent to which the bank is permitted to attract deposits it can, of course, engage in the financing of sound business activities, but there are signs in many countries of a disposition to restrict deposit banking to the indigenous banks. But he, too, stressed the deterioration in the holdings of foreign exchange of so many Eastern countries.

than 80 new and expanded workshops of various chemical enterprises will go into production this year. Output targets of major products this year are: synthetic ammonia 210,000 tons, 41% above last year; soda ash 530,000 tons, 7.5% above last year; caustic soda 180,000 tons, 11% above last year; anti-biotics 103,800 kilogrammes, 190% above last year and sulfa-drugs 2,300 tons, 25% above last year.

A new pharmaceutical factory in North China will start mass production of penicillin and streptomycin in the second quarter of this year. The Shanghai No. 3 Pharmaceutical Works this year will begin mass production of aureomycin. Two new chemical workshops attached to a Northeast China chemical factory this year will produce polyvinyl chloride plastics and kapron monomers, an intermediate material for production of kapron synthetic fibre. Included in 36 major new products to be trial produced this year are the anti-biotic terramycin; the agricultural insecticide acaricides; the dyestuffs palatine blue, indanthrene brilliant green and indigosol pink; types for 25-ton trucks; 1,500-gramme pilot balloons and new types of tractor tyres.

Chemical Fertiliser—China this year will turn out more than 900,000 tons of nitrogenous fertiliser (calculated in terms of ammonium sulphate). Phosphate fertiliser output will reach more than 190,000 tons, or one half above 1957. A new phosphate fertiliser factory with an annual capacity of 400,000 tons of sulfaphosphates will go into production in Nanking in the third quarter of this year. Urea, double sulfaphosphates, nitrogen-potassium mixed fertilisers and other types of fertilisers that were not produced before in China will be trial produced this year.

Nearly half of the investment in capital construction undertaken by the Ministry of the Chemical Industry will be allocated for development of the chemical fertiliser industry. Work will begin this year on the second section of the new nitrogenous fertiliser plant in Kirin, Northeast China. Construction underway of the big nitrogenous fertiliser plants in Shansi, Kansu and Szechwan provinces will be continued. The first sections of the Nanking and Dairen nitrogenous fertiliser plants, now being expanded, are expected to be completed before the end of this year. Full operation of the new nitrogenous fertiliser plants in Shansi, Kansu and Szechwan will begin before the end of 1960.

Oil Industry—Crude oil output will reach 1,550,000 tons this year, or 6.2% above 1957. Natural crude oil will account for 56% of the total crude oil output. Construction projects to exploit existing and new oilfields this year are as follows: (1) **Kiuchuan Basin**—major projects for the producing centre at the Yumen Oilfield include facilities for the recovery of natural gasoline and the collection of natural gas, gas pipelines and a heat and power plant. Large-scale trial operation of two new oilfields will begin in the basin. (2) **Dzungaria Basin**—exploitation of the Karamai Oilfield will formally begin. Projects include drilling oil producing wells with an aggregate depth of 100,000 metres, construction of an oil pipeline of about 160 kilometres to link the oilfield with an oil refinery at Tushantzu in northern Sinkiang, and expansion of the refinery to a new annual capacity by next year of processing 400,000 tons of crude oil. (3) **Tsaidam Basin**—projects include trial exploitation of crude oil from a number of oil wells in the oilfields in the basin, expansion of an existing oil refinery and the designing of a new oil refinery.

Light Industry—There are 39 construction projects under the Ministry of Textile Industry, the Ministry of Light Industry and the Ministry of Food Industry, and 53 construction projects under local administration, making a total

of 92, among which are 15 cotton textile mills and cotton fabric dyeing factories, 23 paper mills, 12 sugar refineries and 10 salt refineries. Of the above-mentioned projects 31 will be completed this year. The increase in productive capacity will be 387,000 bales of cotton yarn, 110 million metres of cotton cloth, 7,330 spindles for spinning wool and flax, 204,000 tons of machine-made paper, 345,000 tons of sugar and 650,000 tons of unrefined salt.

Building Materials—Cement output this year will grow to 7,400,000 tons. This represents an 11% increase over last year. The plans for sheet glass output add up to 49,900,000 square metres, a 4% increase over last year's production. Taking in the output of the cement mills under local authorities, China will turn out a total of 7,650,000 tons of cement this year. Mass production of types of cement not produced before in the country will begin this year, including low-heat cement, oil-well cement and high-early strength cement. Low-heat cement will be used at the hydro-electric power station on the Hsian River in Chekiang Province and the Sanmen Gorge Reservoir on the Yellow River. Meanwhile, other new types will be tried out—high strength cement, expansive silicate cement, expansive aluminate cement and high magnesium oxide cement. Glass fibre and its products are scheduled for trial production this year for use as substitutes for industrial insulating materials. Other new building materials to be tried out are glass pipes for food processing and for the chemical and petroleum industries; asbestos-cement pipes for crude oil and for coal gas pipe-lines; and reinforced concrete piping for supplying water to industry.

Work will continue this year on three big new cement mills in Szechwan, Shensi and Honan, two of which will be provided by the German Democratic Republic with complete sets of up-to-date equipment. In addition, work will begin on three new cement mills in Kweichow, Anhwei and Chekiang. The two in Anhwei and Chekiang will have a combined annual capacity of 300,000 tons to supply the needs of hydro-electric power and water conservancy projects in the two provinces. Work will begin this year on a new glass plant in Honan and will continue on a glass plant in Hunan which went into construction last year.

Railway Building—More than 2,200 kilometres of new railway lines will be put into operation this year. A total of 1,290 kilometres of new railway track will be laid this year. 157 kilometres of railways to be double-tracked. The outstanding features of this year's railway construction are: (1) Paotow-Lanchow line; a full length of 1,000 kilometres to be completed by the end of the year linking the future steel centre of Paotow with the key northwestern railway hub of Lanchow. (2) Lanchow-Sinkiang line which will cross the Sinkiang border and, by the end of the year, reaching Hami, over 1,300 kilometres running northwest from Lanchow. (3) Efforts will be focussed on giving a southern outlet for the new railway network in mountainous Szechwan via Kweichow and Kwangsi (the northern outlet being provided by the newly built Paoki-Chengtou line). (4) The line branching out from the new Yingtan-Amoy Railway will reach Foochow, capital of Fukien this year. (5) Work will be continued on the second railway outlet from North China into the industrial northeast—the Peking-Chengteh line—across the Great Wall. (6) Work will begin on China's first electrified line—a 110-kilometre stretch on the Paoki-Chengtou Railway through long tunnels and crossing steep gorges in the Tsingling Mountains. (7) Two new bridge projects will be undertaken—one spanning the Yangtze at Chungking (Szechwan) and the other spanning the Yellow River at Chengchow (Honan). (8) More than 200 locomotives, 600 passenger coaches and 9,000 waggons will be added.

REPORTS FROM TAIWAN

UN Technical Aid—The United Nations technical aid to Taiwan totals US\$181,500 for the fiscal year 1958. Allotments include \$17,000 for development of natural resources, \$15,000 for industrial development, \$6,000 for public administration, \$3,000 for city reconstruction, \$5,000 for telecommunications, \$2,500 for handicraft industry, \$3,000 for agricultural meteorology, \$6,500 for vocational training, \$11,000 for social security, \$14,000 for faculty training, \$3,000 for civil aviation, \$4,200 for antimalaria work, \$27,900 for nursing education, \$21,600 for infant health projects, and \$37,446 for environmental sanitation. Under the aid program, UN technical experts will be sent to Taiwan to supervise various projects.

Cement Export—Taiwan cement industry will produce 980,000 metric tons of cement this year. Estimated domestic consumption is about 800,000 tons leaving a surplus of 180,000 tons for export. Recently, a shipment of 10,000 tons of cement was sold to North Borneo and another consignment of 21,000 tons sold to South Korea. Hongkong bought 1,000 tons from Taiwan at HK\$108.50 per ton cif. Offers were also sent to Philippines, Laos, South Vietnam, Thailand and Australia. On the other hand Taiwan will import 60,000 tons of cement from Japan this year. This is part of the 86,000 tons procured by the Central Trust of China last May when there was a shortage of cement in Taiwan. Cement manufacturers in Taiwan therefore urged CTC to terminate its contract even if some compensation should be paid. They also pointed out that CTC is paying US\$18.70 per ton for Japanese cement while Japan is selling her cement at US\$15 per ton in Hongkong and US\$13 per ton in the Philippines.

Foreign Trade—Imports during 1957, including American aid commodities, totalled US\$258 million. Exports totalled only \$139 million leaving a deficit of \$119; about 66 per cent was covered by aid money from the United States and the remaining by other earnings. Exports handled by the Central Trust of China amounted to US\$61.3 million consisting mostly of commodities manufactured by government enterprises. C.T.C. was also responsible for \$91 million worth of imports purchased chiefly on behalf of government agencies. Japan remained Taiwan's leading buyer followed by Hongkong, South Korea, Singapore and the Middle East; exports to these regions last year exceeded those during the previous year.

1958 Export target for tea is 30 million pounds; estimated value is US\$7 million. About 15 million pounds will go to South America and North Africa, 10 million pounds to Britain and the United States, and 5 million pounds to the Middle East, Europe and SE Asia. At present, Ceylon supplies about 30,000 tons annually to the Middle East (Iraq 12,000 tons, Iran 10,000 tons, Saudi Arabia 2,500 tons, Jordan 550 tons, Lebanon 270 tons).

1958 Defense Surtax—The Government announced following rates for the collection of defense surtax during the current year: 30% on business income tax and consolidated income tax, land tax, contract tax, business tax, house and household tax, license tax for motor vehicles; 100% on entertainment tax; 10% on power and light bills; 20% on foreign exchange settlements; T\$1 on each liter of gasoline; T\$200 on each metric ton of light diesel oil; and T\$0.60 on each liter of kerosene transhipped within Taiwan.

Chinese Refugees—The Government has decided to donate US\$5,000 to a special United Nations fund which

will be used to bring material assistance to Chinese refugees in Hongkong. At a recent Geneva meeting of the executive committee of the United Nations Refugee Fund, a Taipei observer announced that the Chinese Government was prepared in principle to accept substantial numbers of the 700,000 Chinese alleged refugees in Hongkong for resettlement in Taiwan. He said however that the timing and number of refugees concerned in the movement would have to be worked out carefully. He also made five suggestions: (1) That countries normally accepting immigrants should open their doors to the Chinese refugees. (2) That countries with projects for developing new areas should take note of the pool of labour among the Chinese refugees. (3) That emergency assistance, housing, clothing, food and medical supplies should be made available in sufficient quantities in Hongkong. (4) That schools should be provided in Hongkong. (5) That more refugees should be integrated into the local economy of Hongkong.

The Free China Relief Association in Taipei revealed that nearly 4,000,000 refugees had left the mainland since the Communists took over in 1949. The Association further claimed that it was spending HK\$100,000 a month in aid for the Chinese refugees in Hongkong and that 14,000 Chinese prisoners of war who arrived in Taiwan in January 1954 had been followed by 158,976 other mainland Chinese to date. According to statistics given by the Association there are 145,000 Chinese refugees in Macao, 110,000 in Burma, 75,000 in South Vietnam, 70,000 in Cambodia, 60,000 in Philippines, 45,000 in South Korea, 45,000 in Thailand, 35,000 in Borneo, 35,000 in India, 30,000 in Indonesia, 15,000 in Laos, 15,000 in Singapore, 15,000 in Turkey, 15,000 in Japan, 5,000 in Pakistan, and 5,000 in Saudi Arabia. These figures are not reliable and partly pure propaganda.

Premier Reprimanded—President Chiang Kai-shek issued an order on February 14 "reprimanding" Premier O. K. Yui after the Committee on the Discipline of Public Functionaries had found the premier violating existing regulations in connection with two of the six counts on which he was impeached by the Control Yuan on December 24 last year. On one of the two counts, Yui was reprimanded for drawing two salaries—as Premier and as Governor of the Central Bank of China. It is against the law for any government official to hold a concurrent job from which he receives a salary. The Premier was also reprimanded for his failure to reduce the salaries of employees of the Council for United States Aid. The average pay of CUSA employees is five times higher than that of other government agencies. The four charges against Yui that were dismissed by the Committee were: (1) Failure to effect prompt corrective actions on the Control Yuan proposal to eliminate wasteful practices within the Central Government and failure to appear before the top supervisory body to answer interpellations. (2) Failure to properly handle the lease of the Keelung shipyard of the Taiwan Shipbuilding Corporation to the Ingalls-Taiwan Shipbuilding and Drydock Company. (3) Failure to use non-budgeted defense surtax money to raise the pay of military personnel and government employees. (4) Failure to observe regulations that no chief of government agencies may concurrently head or occupy seats on the boards of directors and supervisors of government enterprises.

The next day, Yui and his 17-man Cabinet submitted their resignations to Chiang while the Control Yuan voiced dissatisfaction over the reprimand verdict. Two days later,

however, Chiang asked Yui to stay on both as head of the Cabinet and as Governor of the Central Bank of China. The impeachment case was thus unofficially closed.

Ballrooms & Dancing Girls—The Government recently ruled that students and teenagers must not be allowed in ballrooms. However ballrooms are permitted to employ teenage staff members and dancing girls who are over 18. Dancing girls must obtain official permits and are required to take physical examination every three months; permits of those who have contracted contagious diseases will be withheld by the Police until they have fully recovered.

Hotels—A 200-room hotel is now under construction in Taipei and another 50-room hotel-restaurant will be built in Peitou to accommodate an ever increasing number of tourists. According to officials of the Taiwan Tourism Council, these two hotels are being built with overseas Chinese capital. There are too few good hotels in Taiwan and visitors have been complaining about the lack of adequate accommodation on the island. In addition to the building of new hotels facilities in existing hotels should be improved. Services in most hotels are also far from adequate.

Cross-Island Highway—A cross-island highway joining east and west coasts of Taiwan will be completed by the middle of 1959. This highway is unusual in two respects: First, it is a difficult job of road engineering even for experts. Second, it is being constructed almost entirely by hand labour, employing some 10,000 men, the majority of whom are retired Chinese servicemen! By the time twelve miles of the road was completed, 70 engineers and workers had been killed and 140 injured. The new 188-kilometer Cross-Island Highway weaves through the Taroko Gorge and connects with Hualien road at the mouth of the Gorge on the east coast; it will eventually connect with the highway on the west coast. It will then be possible to leave Taipei by car, drive to Suao and along the east coast to Taroko Gorge, then cut across to the west coast highway to return to Taipei.

JAPAN'S EXPORTS IN 1957

Bank certification of export declarations in 1957 totalled US\$2,861,400,000 which was a gain of 15.5 per cent over the \$2,477,800,000 registered the previous year. Reasons for the increase were:— 1) Continuing increase in world trade volume and expansion of the import scale by about 10 per cent despite a levelling off of business prosperity in the United States and Europe. 2) Heavy purchases, in particular, by the Southeast Asian countries—Japan's largest export market—because of the Suez dispute and the huge increase in their imports of capital goods as a result of the progress made in economic development. 3) Japan's vigorous export drive (especially in the case of textiles) during the latter half of the year when the effects of the tight money measures resulted in deteriorating demand. There was less eagerness to export in the first half owing to the domestic economic prosperity. 4) A spectacular gain in foreign sales of ships—Japan's biggest export item.

Viewed by commodities, textiles showed the greatest increase over the preceding year in terms of value followed by machinery—a gain of over \$100 million each. In contrast, a big loss was suffered by steel which was down by \$22 million. Oils and fats showed the biggest rate of

Mountain roads are being hacked by these servicemen road builders through the forests, over the mountains and through the mountains! At first, the Army Engineering Corp made a rough path to lead the men but they have since gone and now the workers have only picks, dynamite and their bare hands. Up to date, 156 tons of dynamite, 41 tons of steel rods, 135 tons of steel bars, 2,180 tons of cement and 221 cubic meters of lumber have been used; 691,000 cubic meters of earth has been excavated; 1,710 meters of short tunnels, 128 meters of bridges, 410 meters of culverts and 4,650 square meters of pitching and retaining walls have been built. Surveyors are now working on a route between Kuanyuan and Loshao, a 20-mile stretch through rugged mountains, in an attempt to eliminate the necessity of digging a 1,900 foot tunnel.

Looking into the future, the most important aspect of this highway is its attraction to tourists and its effect on Taiwan's industrial development. Ambitious plans include that of a National Park encompassing the rocky Central Mountain Range. There are also plans for a helicopter landing field, a large tourist hotel as well as many smaller hotels. Temples, shrines, orchards and gardens are being planned. The aborigines living in the mountains will have a part to play in the tourist picture; their native dances and colorful costumes are excellent tourist attractions. Unusual discoveries have been made including pear trees and flowers not seen elsewhere on the island. Near Tien-hsiang hot springs three feet under the creek bed could easily be harnessed into use in tourist hotels.

With the completion of this new road Hualien will grow into a large industrial center. Plans are afoot to build Taiwan's third largest port at Hualien. In the Taroko Gorge marble and graphite deposits are present. Hualien's five beaches will also attract many tourists. New villages will spring up along the highway because 70,000 retired servicemen with their families will settle along the road they are now building; they will be given land after their work is done.

increase. Silk goods, chemicals, animal and vegetable products were all higher by more than 30 per cent.

By markets, sales to the sterling area recorded an astounding growth, but this was chiefly due to the transfer of accounts from the open account area. Actually, therefore, exports to the dollar area can be said to have increased the most. Countries of destination which registered the biggest gains were the United States, Liberia, Britain, India, Thailand, South Africa, the Philippines, Formosa, West Germany, Korea, Panama, Viet Nam, Burma and Egypt. Buying less than the previous year were Canada, Communist China, Hongkong, Indonesia, Nigeria, Pakistan, Brazil and Argentina.

I. Dollar Area: Sales to the dollar area increased by US\$178,000,000, or 15.2 per cent, over the preceding year, but this was far less than the 47.1 per cent gain of 1956 over 1955. (A) United States: The percentage of gain over the previous year was 12 per cent which was lower than the 19 per cent increase posted in 1956. This was due to a levelling off in U.S. imports as a result of a half in the country's economic boom, and the effects of export adjustment measures. Cotton goods exports declined but foodstuffs (canned tuna), lumber (plywood), wool products

(wool fabrics), machinery (electric and optical equipment), sundries (toys, ornaments, etc.) and silk goods (silk fabrics) rose considerably. (B) Canada: Sales to Canada fell by \$5,500,000, or eight per cent, from the previous year. This was due to a decline in foodstuffs and steel, the major exports. The decrease in the former was due to sluggish purchases of canned tuna and in the latter to Japan's high prices. Other commodities also made no gains due chiefly to the fact that they had increased sharply from 1955 to 1956.

(C) Ryukyus: Export certifications to the Ryukyus rose by \$300,000 over 1956, so small that it can be said there was no increase. This was because foodstuffs, lumber, cement and steel sales decreased despite greater exports of tubes, fertilizer and machinery. (D) Philippines: Since the Philippines became a dollar area from August, exports on a dollar basis amounted to \$22 million. Adding sales made on an open account basis, they totalled \$69,600,000—a gain of \$22 million, or 47 per cent, over the preceding year. This was due principally to larger sales of cotton cloth and to the fact that Japan, through its greater competitive strength, managed to take the lead over American products. Exports in June reached \$4,000,000 but they dropped sharply afterwards owing to the effects of import restrictions instituted in May. Cement and machinery exports also expanded to a great degree. (E) Other Countries: Sales to Liberia rose spectacularly because of the increase in vessel exports which alone amounted to \$238 million—higher by \$36 million, or 17 per cent. Gains (in parentheses) were also made by Venezuela (\$7 million), Viet Nam (\$26 million), Korea (\$14 million), Panama (\$14 million), Belgium (\$3 million) and Peru (\$4 million).

II. Sterling Area: Export validations for the sterling area show a rise of \$329 million, or 35.2 per cent, which was more than the 25.3 per cent increase in 1956 over 1955. The gain, however, cannot be described as spectacular since it was due in part to the switch from open accounts to sterling by the French Union, Finland, the Netherlands and Indonesia, and the low level of pound exports in 1956, to Italy, Sweden, Thailand and Argentina, which abolished open accounts in that year.

Britain: Exports to Britain in 1957 were up by \$125 million, or 17 per cent as a result of the delay in concluding the present Anglo-Japanese trade agreement. Licenses were not granted in time for deliveries within fiscal 1956 and exports thus accumulated in the first half of 1957. Foodstuffs (canned salmon and trout, canned mandarin oranges) and cotton goods (cotton cloth) made the biggest gains. **Singapore:** Value of exports in 1957 were greater by six million dollars, or nine per cent. **Communist China:** Sales to Communist China were down by one mil-

lion dollars (two per cent). This decrease was believed due to an extraordinary increase in exports in 1956, which made China reluctant to buy designated goods in the B & C categories last year, failure to conclude a fourth Japan-Communist China trade agreement, China's reduced purchases of ammonium sulphate owing to lower rice imports by Japan, greater exports to China from West European countries and no cement purchases (300,000 tons were exported in 1956). By commodities, machinery, non-metal ores and wool products fell sharply while steel exports rose by a wide margin.

Hongkong: There was little change, exports being down by about one million dollars. **India:** Exports were up by \$10 million, or nine per cent, despite India's deteriorating foreign currency situation and reduced imports. This increase was due to the fact that Japan's major exports, consisting of steel and machinery, are on a deferred payment basis. Fibers and sundries, on the other hand, decreased. Overall, exports in the first half were higher by \$10 million over the last half. **Thailand:** Sterling exports to Thailand rose by \$36 million over the preceding year but the combined gain including dollar and open account balances was limited to \$10 million. **South Africa:** Exports rose \$18 million (49%) in value, staple fiber fabrics registering a sharp increase. **Indonesia:** Although the open account with Indonesia was abolished in July, shipments continued to be made under the old formula, and only recently did pound exports show a sharp gain. This increase, however, amounted to just a little over £3,000,000. Open account exports, on the other hand, fell far below the preceding year owing to deterioration of Indonesia's foreign currency holdings. Cotton cloth sales also decreased to about one-fourth because most of the export consisted of cotton processed under commission. **West Germany:** Compared with the previous year, exports gained by a wide margin of \$30 million, or 92 per cent. West Germany's encouragement of imports, freer trade, Japan's greater competitive strength and larger whale oil sales were responsible for the increase.

III. Open Account Area: **Taiwan:** Exports rose by \$10 million (12%) over the previous year with fertilizer and steel climbing but machinery—Japan's largest export item to Taiwan—showed little change. **Korea:** Exports on an open account basis amounted to \$12 million, little different from the previous year, but exports on a dollar basis were up by \$14 million to \$40 million. The latter was due to the huge increase in fertilizer purchases with ICA funds. **Others:** Poor sales of steel were responsible for the steep fall in exports to Brazil from \$48 million to \$24 million. Exports to Egypt rose from \$11 million to \$24 million but this was because the level was so low in the preceding year.

ECONOMIC LETTER FROM TOKYO

Foreign Trade in 1957: Our foreign trade during 1957 resulted in an adverse balance of \$1,425 million with export amounting to \$2,858 million (\$2,500 million in 1956) and import to \$4,283 million (\$3,229 million in 1956) according to the announcement made by the Finance Ministry on Feb. 25. Classified by countries, the United States ranks first both in export and import, with export at \$596 million (\$543 million in 1956) and import at \$1,617 million (\$1,064 million in 1956), or an excess import of more than \$1,000 million. Liberia comes next to U.S., in export, at \$283 million (\$225 million in 1956), while Australia occupies

the second place in import at \$362 million (\$248 million in 1956).

Jacobsson on Economic Subjects: Per Jacobsson, managing director of the International Monetary Fund on visit to Japan, had talks with Chairman Sakai of the Federation of Bankers Associations and other leading bankers and with Governor Yamagiwa of the Bank of Japan, and through these talks disclosed his views on the following points: (1) The present business recession in the United States is nothing else than a phase of trade cycle following a boom in investment activities, and in that sense it is deep-seated.

But, this recession would not develop into a serious depression as was seen in the 1930's, since the American economic strength is far greater now compared with the prewar years. Adjustment might be completed by the end of this year at the latest; (2) Economic development cannot, generally speaking, be expected with unstable currency. Hence, Japan should pursue its currency policy confidently and boldly, the Government, the central bank and the business communities working together in this task; (3) IMF has concentrated its efforts chiefly on stabilization of currencies in West European countries hitherto, but he wishes to extend those efforts hereafter to Asia also.

Steel Barter Trade with Communist China: Five-year (1958-1962) barter trade agreement between Japan and Communist China and accord for 1958 were signed in Peking by Yoshihiro Inayama, leader of Japanese steel mission to Peking, and Shang Kuang-Wen, manager of the China National Minerals Corp., and Li Chu-Yuan, submanager of the China National Metals Import Corp. This long-term barter agreement is composed of nine articles with a preamble stating that this agreement is entered into on the principle of equality and reciprocity in order to establish a long-term planned supply and demand relationship between the two countries. The agreement provides the export of Communist China to Japan to consist chiefly of iron ore and coal, while that of Japan various sorts of steel products. It also calls for export from each side totaling £10 million for 1958, £18 million for 1959, £21 million for 1960, £24 million for 1961, and £27 million for 1962, making in all £100 million.

American Import Restrictions: The three major business organizations in Japan, viz, Japan Chamber of Commerce (T. Adachi, chairman), Federation of Economic Or-

ganizations (T. Ishizaka, president) and Japan Foreign Trade Association (H. Inagaki, chairman) held a conference on the question of import restrictions by the United States against Japanese goods. In contrast with what has been pointed out by the American side to the effect that "the influx of Japanese goods into the United States is bringing serious pressure upon American industries", they came to the conclusion that there was little, if any, to confirm such a fact from what had been made a study of by our side on the basis of the materials and information obtained from the U.S. Finally, a statement was decided to be issued desiring as the unanimous opinion of Japanese business communities the United States to probe into the actual situation of this problem and to act with intelligence and prudence.

Staple Fibre Production Curtailment: The Ministry of International Trade and Industry decided to increase the rate of curtailment of staple fibre production for 4 months beginning Mar. 1, limiting the maximum monthly production to 46 million lbs or 30% lower than 65 million lbs per month in Jan.-Mar. last year, when production was at the peak, and 10% less compared with 51 million lbs per month as recommended for maximum production limit for Jan.-Mar. this year. This decision of the Ministry and the maximum production limit for each of the thirteen producing companies were notified to each on Feb. 28. Through this raising of the rate of staple fibre production curtailment, the contemplated cut in production of all textiles may be said to have been completed for the present. Should further curtailment be pressed, it might give rise to the discharge of the personnel and other labor questions or result in higher cost and would bring about serious problems for the industrial management, the officials of the Ministry feel.

REPORT ON THE PHILIPPINE ECONOMY IN 1957

It became apparent, well towards mid-year, that drastic measures had to be taken to stave off an impending economic crisis. The country's international reserves had dropped to critical levels. The meager export earnings lagged far behind heavy import payments, while the uptrend in prices of most commodities continued unabated. The institution of selective credit control, the hike in rediscount rates, and, by the end of the year, the stiff marginal requirements contained in Circular 79—these were but some of the measures adopted to effect a retrenchment in business operations.

Developments during 1957 featured a much slower expansion in the money supply and in domestic credits. However, credit on the rural level increased at a faster rate. The country's balance of payments disequilibrium worsened considerably, pushing up the trade deficit by 200.9 per cent from its year-ago level. The requirements of established industries for foreign exchange to finance the purchase of raw materials from abroad prompted further contraction in the international reserves. Barter, cited as one of the causes for the substantial loss in the reserves, was completely reappraised.

Loans were negotiated with the U.S. and Japanese governments to abet the construction of development projects. As in previous years, the failure of Congress to pass a foreign investment bill accounted for missed opportunities in this field. The major dollar-earning crops, with the exception of sugar and coconut oil, featured greater strides in production.

In brief, the following problems persisted throughout the year: huge deficits in the balance of payments positions, the uptrend in prices, and the slow rise in employment which was not proportionate to the increase in the labor force.

Cost of Living: The consumer price index for Manila (1955=100) averaged 104.5 per cent in 1957, as compared to 102.7 per cent in 1956. Among the component items, Clothing, which had an average of 113.6 per cent, chalked up the highest gain of 5.5 points. Food likewise advanced 3.4 points to 106.7 per cent in 1957. Fuel-Light-Water scored a nominal increase of 0.9 point to settle at 98.6 per cent. On the other hand, Miscellaneous at 100.8 per cent was off by 1.2 points while House Rent dropped 0.2 point from its 1956 average of 99.7 per cent.

Prices: The averages of price indices for 1957 all registered substantial increases, ranging from 3.0 points in the case of retail prices to as high as 4.8 points in the case of wholesale import prices. General Wholesale prices gained 4.5 points whereas wholesale export prices pushed upward by 5.8 points. These levels, though topping those realized in 1954, are nevertheless still considerably lower than the high levels reached in 1951.

General Wholesale prices registered an average index of 107.6 per cent in 1957, as compared to 103.1 per cent in 1956. All the factors in the index contributed to the increase, except for Miscellaneous, which lost 0.6 point. Food, averaging 107.4 per cent, expanded by 6.0 points; Chemicals, by 5.2 points; Animal & Vegetable Oils & Fats, by 5.0 points; Mineral Fuels, by 8.3 points; Machinery & Trans-

port Equipment, by 4.3 points; Manufactured Goods, by 4.0 points; Crude Materials, by 2.5 points; and Beverages & Tobacco, by 1.3 points.

The 1957 average for Retail prices stood at 107.6 per cent, up 3.0 points from that of the previous year. Drugs & Medicine fell 5.2 points to level at 92.5 per cent while Beverages & Tobacco were nominally off by 0.5 point. The rest of the component items recorded huge increases with Household Supplies & Equipment, at 113.0 per cent, setting the pace with a gain of 5.9 points. Food also marched up by 3.0 points.

The 1957 all-items index for Wholesale Import prices averaged 114.6 per cent, approximating a similar high reached in 1952 but still far behind the peak of 128.9 per cent attained in 1951. With the exception of Crude Materials, which registered an average much lower by 6.8 points, all other items in the index enjoyed higher averages. Chemicals featured a sizeable increase of 15.7 points. Mineral Fuels pushed ahead by 10.0 points; Miscellaneous, by 7.8 points; Beverages & Tobacco, by 7.1 points; and Food, at 113.5 per cent, by 5.1 points.

The Export Products Wholesale price index for 1957 realized an average of 109.1 per cent, as compared to 104.3 per cent in the previous year. Chemicals, which held steady at 94.4 per cent throughout the year, slipped 2.1 points. Manufactured Goods and Miscellaneous likewise sustained losses of 5.6 points and 7.2 points, respectively. The other remaining items all wound up with substantial gains: Food increased by 7.0 points; Beverages & Tobacco, likewise by 7.0 points; Animal & Vegetable Oils & Fats by 5.2 points; and Crude Materials, by 4.0 points.

Foreign Trade: Characterized by consistent monthly deficits (except for a surplus of P3.7 million registered in February), Philippine external trade for the first eleven months of 1957 witnessed an enormous 200.9 per cent expansion in the trade deficit. Volume of trade for the same period rose by 11.4 per cent, as compared to a rise of 2.3 per cent in a similar period in 1956. Total trade advanced from P1,738.6 million in November, 1956 to P1,937.3 million in November, 1957. The rise in total trade was borne solely by imports, which moved up by \$213.9 million to P925.8 million in 1957. This represented a 23.0 per cent increase over the level in 1956. On the other hand, exports edged slightly lower by \$12.2 million to settle at P797.6 million. As a consequence, the negative balance of trade for the first eleven months of 1957 expanded from P110.7 million in 1956 to P342.2 million. The allocation of foreign exchange for imports during the first eleven months of 1957 heavily favored raw materials. Aside from comprising 58.9 per cent of total imports, they likewise revealed the highest percentage change from the corresponding period in 1956. Hereunder is a comparative table showing the percentage changes and distribution of imports, classified as to end use, during the first eleven months of 1956 and 1957:

IMPORTS BY CLASSIFICATION

(f.o.b. value in million pesos)

Category	January—November		Percent Change	Percent Distribution	
	1957	1956		1956	1957
TOTAL	1,130,651	925,710	+23.1	100.0	100.0
Capital Goods	223,391	203,303	+ 9.8	22.0	19.6
Raw Materials	670,435	507,938	+31.9	54.8	58.9
Consumption Goods	245,625	214,389	+14.8	23.2	21.5

International Reserves generally pursued a downward course in 1957. From \$224.64 million in January, the reserved declined to as low as \$138.94 million at the close of December. This level, the lowest on record, reveals a loss of \$85.70 million or 38 per cent from the year-end

balance of 1956. Central Bank Reserves, which comprised 58 per cent of the total reserves, suffered a cut of 55 per cent as the level veered downward from \$161.01 million in 1956 to \$70.92 million in 1957. On the other hand, Net Foreign Exchange Holdings of Other Banks expanded by \$5.34 million from \$63.68 million in 1956 to \$69.02 million in 1957.

Money supply as of November, 1957 amounted to P1,591.8 million. This level surpassed that of a similar period last year by P112.6 million or 7.6 per cent. This percentage increase, however, is considerably less than the 16 per cent expansion recorded for 1956. The P112.6 million increment in total money supply was evenly spread but between Currency in Circulation, which marched up from P700.9 million in November, 1956 to P756.2 million in 1957 and Peso Deposits Subject to Check, which likewise advanced by P57.3 million to register an end-November balance of P835.6 million in 1957. The rise in currency in circulation stemmed from a P50.9 million increase in Currency Issue, which was ineffectively offset by a P4.4 million loss in Inactive Cash. Peso Deposits Subject to Check, which constituted the greater bulk of the money supply, gave the following breakdown: Unused Overdraft Lines pushed up by P30.1 million as of the end of November, 1957; U.S. Government Entities, by P16.3 million; City, Provincial & Municipal Governments, by P10.1 million; and Business Individuals, by P7.1 million. However, Semi-Government Entities declined by P6.5 million, along with Cashiers' and Managers' Checks which contracted by P5.2 million.

Domestic Credits of the Central Bank and Other Banks totalled P2,448.4 million at the close of November, 1957. This amount exceeded the level in a similar period last year by P378.1 million or 18 per cent. Central Bank Credits, which rose from P459.2 million to P815.2 million in November, 1957, accounted for 94 per cent of the increment. However, Other Banks' Credits, which expanded by P22.7 million to reach P1,633.2 million, still comprised the greater proportion of total credits. The marked increase registered by Central Bank credits sprung from a huge gain of P318.2 million in Domestic Securities and a moderate rise of P37.8 million in Other Credits. Advances to Other Banks, though, scaled down by P57.7 million. With respect to Other Credits, all its component factors recorded moderate increases, which were, however, successfully offset by a loss of P224.2 million in Domestic Securities.

Public Debt: From P1,538.0 million in October, 1956, the total outstanding debt incurred by the government increased by P61.8 million to level at P1,599.8 million by October, 1957. On an October-to-October basis, the 1956-1957 increase of P61.8 million is substantially less than the 1955-1956 increase of P233 million. Bonded Debt, amounting to P790.9 million, increased by P76.2 million whereas Non-Bonded Debt, totalling P808.8 million, was whittled down by P14.5 million.

Production: Tentative figures in agriculture released by the Central Bank featured bigger yields in the production of food crops and basic export products in 1957. Among the food crops, Coffee and Cacao revealed the highest increase (11.1 per cent). Of the country's major export crops, however, lumber, leaf tobacco, copra and abaca registered gains of 44.9 per cent, 34.2 per cent, 10.9 per cent and 7.5 per cent, respectively. However, crop year 1957 showed a decline in the production of coconut oil and centrifugal sugar by 13.4 per cent and 6.2 per cent from their 1956 figures. A comparative table on agricultural production for crop years 1956-1957 is shown hereunder:

AGRICULTURAL PRODUCTION

 Crop Years 1956-1957
 (thousand metric tons)

Product	1957*	1956	Percent Change
Palay (rough)	3,346	3,273	+ 2.2
Corn (shelled)	895	907	— 1.3
Coffee & Cacao	10	9	+11.1
Root Crops	1,292	1,261	+ 2.5
Meat & Poultry products**	295	277	+ 6.5
Fish**	404	254	+ 2.5
Copra	1,264	1,140	+10.9
Coconut oil**	220	254	—13.4
Dessicated coconut	44	42	+ 4.8
Abaca, manufactured	129	120	+ 7.5
Tobacco, leaf	51	38	+34.2
Sugar, centrifugal	1,037	1,105	— 6.2
Timber (million board ft.)	1,966	1,824	+ 7.8
Lumber (million board ft.)	487	336	+44.9

*—preliminary

**—calendar year

Mineral Production in the Philippines attained the 200 million peso mark in 1957. The value of output for fiscal year 1956-1957 amounted to P215.4 million or 15 per cent higher than the previous fiscal year's P186.2 million. Base metal shipments, which accounted for about half of the value of total production, aggregated P108.7 million, up 17 per cent. Production of non-metals likewise rose 18 per cent to P59.9 million in 1957. In contrast, gold production was down again for the third year in volume but up slightly in value.

Building Construction: The City Engineer's Office in Manila granted a total of 4,996 permits for 1957, less by

27 than the number issued in 1956. However, permit values in 1957 amounted to a high P72.5 million, as compared to only P54.6 million in 1956. This indicated an increase of P17.9 million or 32 per cent.

Securities Market: 1957 proved to be a lean year at the Manila Stock Exchange. Based on the reports of the Exchange, data for 1957 showed a 50 per cent reduction in the number of shares traded and a 57 per cent reduction in the values of these shares, as compared to the 1956 figures. The number of shares traded declined from 954.6 million in 1956 to 468.9 million in 1957. The value of shares likewise skidded downward by P147.5 million from P257.2 million in 1956. Mining Share Average had a high of 158.97 in December, 1957, as compared to a high of 287.41 recorded a year earlier. The low similarly moved downward from 259.67 in December 1956 to 128.18 in December this year.

Staple Products: Based on the market reports of the Bureau of Commerce, the annual average prices of all staple commodities during 1957 firmed up from their 1956 levels. The following data present a comparative picture on price trends for 1956-1957:

Commodity	Annual Average Prices		Percent Change
	1957	1956	
Sugar			
Ordinary 97°	P16.49	P12.90	+ 27.8
Washed 99°	17.74	14.17	+ 25.2
Refined	17.96	14.20	+ 26.4
Copra	27.55	25.84	+ 6.6
Hemp	46.33	38.31	+ 20.9
Rice	21.29	18.82	+ 13.1
Coconut Oil	.485	.46	+ 4.3

ECONOMIC LETTER FROM MANILA

The proposed issuance of \$200,000,000 worth of Philippine Government bonds in the United States was approved by the National Economic Council. This completed requirements for issuance of the bonds, since the action had been approved earlier by the Budget Office and the Finance Department. Ambassador Carlos P. Romulo, in the name of the Philippine Government, signed the contracts with Allen and Co. of New York, who will promote the sale, and with the Chase Manhattan Bank, which will act as fiscal agent. Pertinent provisions of the bond issue contract are: 1. The first issue of \$50,000,000 worth will be placed on sale in the United States this year and the bonds will be listed with the U.S. Securities Commission. 2. The rate of interest will be the prevailing rate for similar investments in the United States at the time of issue. 3. The bonds will mature in 20 years. 4. The Philippine Government will not take any steps to diminish the value of its obligations. 5. Bond holders will have a first lien on the dollar holdings of the Philippines. 6. The bond sale and other operations in connection with it will be exempted from foreign exchange tax and other taxes levied by the Philippine Government or any of its instrumentalities.

Complete lifting of the Central Bank's austerity measures, as set forth in Circular 79, is expected by June 30 of this year. Pres. Garcia has repeated his pledge that the government is shooting for that date and the Monetary Board is acting in accordance and scheduling further de-control measures. Further relief is in sight for producers and probably for importers of consumer goods. Gov. Cuaderno of the Central Bank has indicated that changes will be effected to make import and credit restrictions more

selective instead of "across the board" as at present. Aim will be to give greater import privileges to the more essential industries and leave the less essential ones to bear the brunt of the austerity program. Because of the continued tightness of credit and its possible dampening effects on production, the Central Bank is also thinking of lifting its ban on the extension of new loans by banks and its ban on the renewal or extension of overdraft lines. Remittance abroad of profits and dividends from the Philippines has now been resumed, according to the Monetary Board. Such remittances were suspended last December. Exchange for the purpose is being released on a case-by-case basis, for those remittances from 1956 earnings which had earlier been authorized for payment at the end of 1957 or for the beginning of 1958. It is expected that all firms will be able to make their regular remittances from 1956 earnings in the near future. The Monetary Board, however, in formulating the foreign-exchange budget for the first half of 1958 for payment of invisible items has decided to cut most categories, including profit and dividend remittances, by 25 percent. The reduction will apply to remittances made in the first 6 months of 1958 which are based on 1957 earnings. Thus, a company that normally has been permitted to remit 60 percent of its total profits will now be limited to 75 percent of that rate, or to 45 percent of 1957 profits. The policy governing 1958 earnings will be established later in the year and will no doubt depend upon the way the foreign reserve position shapes up.

An increase of \$6,000,000 to \$8,000,000 in the annual foreign exchange allocation for importing gasoline and oil into the Philippines is being urged by former NEC Chair-

man Alfredo Montelibano, who is now president of the Philippine Chamber of Agriculture. He declared that the fuel requirements of the country have been increasing at the rate of 11% a year and that, therefore, the requirements of 1958 cannot be met, as is the present plan, with an allocation of merely the same as that for 1957. The allocation of \$67,000,000 for gasoline and oil last year was just barely enough to provide for the nation's needs.

More than 90,000 people will book passage on steamships in the Pacific this year, according to the Pacific Area Travel Association. The total would be twice as great if shipping accommodations were available. It is also predicted that the advent of commercial jet transportation in 1959 will revolutionize Pacific travel and greatly expand the number of tourists going to the Philippines and other Pacific areas.

The Presidential Incentives Committee recommend the lifting of exchange controls as soon as possible but not later than two years from the approval of such lifting. The committee also urged that the government in the meantime adopt a policy of providing adequate foreign exchange to producers for the direct importation of machinery, equipment, spare parts and fuel. They recommended also that imports of corn and rice be subjected to the same taxes as those levied on other essential imports and that the government take further steps to provide more and cheaper fertilizers for farmers.

Exchange and commissary privileges previously extended by the U.S. Armed Forces in the Philippines to exchange employees and to dependents of active-duty U.S. military personnel not attached to any activity in the Philippines have been curtailed. The move stemmed from the desire of the U.S. Armed Forces in the Philippines to cooperate with the Philippine government's austerity program and to stop the flow of tax-free PX goods into the local market. More curtailment of PX privileges is scheduled to become effective April 15, 1958, which will apply to U.S. Federal employees who are residents of the Philippines and the

reserve personnel of the U.S. Armed Forces, except when on active duty for two weeks or longer.

The Nippon Electric Co. of Japan plans to ship large quantities of solar battery transistor radios to the Philippines soon. Four Japanese watch manufacturers are planning a trading firm to ship about a million watches annually to the Philippines and other countries at prices lower than domestic quotations.

Aluminum insulation foil and aluminum rat-proofing coil are now being produced in the Philippines by Reynolds Philippine Corporation. The company points out that aluminum insulation foil, when properly installed in ceilings and walls, can keep room interiors up to 15 degrees cooler and reduce electricity costs for air-conditioning by as much as 30%. The aluminum coil is considered by the company as the "economic and easiest way to comply with city ordinances requiring buildings to be rat-proofed".

Northern Luzon Mining and Industrial Co.—operators of three groups of manganese claims in Buguey, Cagayan—will offer to the public 500,000 shares of its common stock, with a par value of P0.10 per share. Manganese shipped by the company to Japan recently had an average analysis of 85%. Extensive operation is planned for the company properties upon the arrival of reparations equipment from Japan, when the company expects to produce from 100 to 500 tons a month. Analysis of ores sent to the United States for pilot test have been evaluated for use in flash-light cells with promising results. The firm expects that in due time the manganese ores from the company property will be used extensively for the manufacture of flash-light batteries and depolarizers in the Philippines.

Steel bars production at the government-owned mill in Iligan City, Lanao, increased to 14,332.85 metric tons last year as against 8,368 tons in 1956. The mill started operations in June, 1953, and the 1957 output brought total production to 22,700.85 metric tons, valued at P9,534,000 on the basis of P420 per ton. Ingot output also went up in 1957 to 11,798 metric tons compared to 8,835 tons produced the previous year.

PROBLEMS OF HONGKONG

STATEMENTS BY GOVERNMENT DEPARTMENT CHIEFS

DIRECTOR OF PUBLIC WORKS (MR. A. INGLIS) ON WATER SUPPLY

The water supply problem is serious and has not been over-stressed. It is likely to remain with us for many years and will involve heavy expenditure. We have hopes however that the experimental work at Shek Pik will be successful and that this project will provide additional storage of just over 4,000 M.G. but we are not counting on it or considering it in any way the final answer. Already we are investigating the possibility of converting certain sea inlets into fresh water lakes and if one such project should prove feasible we could have more than three times our present storage; a very satisfactory position. It is far too early, however, to say if these schemes are feasible.

Messrs. C. E. M. Terry and Kwok Chan drew attention to recent research and development in converting sea water or brackish water into fresh water. A few years ago such schemes were not economical propositions. Modern techniques, however, have advanced so rapidly that demineralisation of salt water is already a practicability, given

certain circumstances. Some months ago we asked the Crown Agents to obtain for us quotations for equipment to produce about 20 M.G. per day from sea water. Three British firms and four American firms were approached and requested to put forward schemes. Two British firms have submitted draft schemes including rough estimates of capital expenditure and running costs. The proposals, however, are for equipment which can be operated economically only in association with another process which would utilise, and pay for, the large quantity of surplus heat produced. An enquiry was sent recently through the Crown Agents to two Swiss firms for alternative schemes which, it is hoped, can operate economically without association with other processes. Their suggestions are awaited with interest and I may add that it would seem that Hongkong's demands far exceed the biggest plant so far contemplated using these various distillation processes.

Another method for dealing with brackish water is by electrodialysis. This is a recently developed operation commonly known as the membrane process which exploits the electrical characteristics of mineral saline water. There

are some very small plants in operation in other countries and the first British commercial pilot plant was erected as recently as 1957, its capacity being just over 2,000 gallons per day. I do not hold very high hopes that this method will apply to conditions in the Colony but we shall not lose sight of further developments. We keep in touch also with the Commonwealth Scientific and Industrial Research Organisation who have their Headquarters in Melbourne, Australia.

Mr. Ngan Shing Kwan referred to salt water for flushing. He is quite correct in saying that it is becoming increasingly difficult to obtain well water and that this leads to the use of mains water for fishing. The present scheme is the forerunner of several more which are being planned and will be carried out if the present scheme proves successful.

COLONIAL SECRETARY (MR. C. B. BURGESS) ON EDUCATION

There are three essential requirements for a school: money, land and staff. The potential gravity of the situation lies in the fact that one simply cannot foresee the day when we shall have enough of any of these requirements to provide universal education for our present population—up to such standards, for example, as are today maintained in the United Kingdom. But we will not, and cannot, say that this commitment is beyond us. If the number of dollars is beyond our capacity, then we must apply each dollar so skilfully that it produces the effect of several dollars. Land can be found if we build high, and reclaim and cut back into the hills. And teachers can be trained if we have both land and money. But the extent of this commitment cannot be foreseen—and to meet the challenge of education in Hongkong today is partly an act of faith and partly the exercise of an almost devilish ingenuity.

Even so, there are two aggravants of the situation which I have just described. The first is that the natural increase in the population is running at the alarmingly high figure of nearly 80,000 a year. The second is the existence in our midst of schools that are not schools; schools which do not teach but indoctrinate; schools where the end-product is not knowledge or wisdom, but political parrot-talk. It is upon this situation that a complex educational system is superimposed. I say complex because the various stages of education—primary, secondary, post-secondary, higher—are not water-tight compartments. The effort you expend on the primary need itself creates a need for secondary and higher education, and this in turn puts further specialized demands upon the teacher-training colleges.

Four years ago Government accepted primary education as its first and major commitment. It was the intention then that assistance to secondary and higher education should be limited to land concessions and grants in aid or subsidies. That is still the intention, and I do not think that it could be changed at this stage without a major revision of educational policy. If still further public funds for education can be provided, very much the major part must be used for primary education. We must continue to rely to a very substantial extent upon the religious bodies, voluntary organizations and the general—and generous—public for the expansion of higher level education facilities. Government has undertaken to meet student demand at the Primary level—and here its assistance is general and indiscriminate. But it is not the intention that Government should attempt to meet full student demand at the Secondary level or higher. At the Secondary level we must discriminate, and it is still the policy that the

limited help available should generally be reserved for students of proved ability who can really benefit from more advanced studies. At the Higher level somewhat different considerations apply, and we try to use the influence of public assistance in such a way as to guide the student of proved ability into courses of study which will, in at least the technological spheres, help to meet the community's current needs.

The Education Department is at present conducting an examination of the incidence of expenditure both in respect of its present commitments and of expansion that might be feasible under the existing policy. This may well provide some indication of the effectiveness of the present forms of subsidy. There has been more than a suspicion that the Grant and Subsidy Codes are beginning to creak at the joints. The Block Grant is no longer popular and we are becoming more and more committed to the "deficiency" system. It is relevant to recall that, as long ago as 1950, the Fisher Report recommended that the existing Grant and Subsidy Codes should be replaced by a single Grant Code based either on straight per capita or straight percentage grants. This recommendation was accepted by Government, although the Board of Education expressed somewhat divergent views.

Even within the present policy, however, there is scope for adjustment. A year ago the University asked government for advice as to how it could best meet the higher education needs of the Colony. In the reply emphasis was laid on the need for expansion of the intake in the Arts and Science faculties, in response both to student demand, and to the need for potential teachers. Attention was also drawn to the special advantages to be gained from a greater intake into the Medical Faculty, and particular emphasis was laid on the needs of students from the Chinese secondary schools. The University is drawing up its plans accordingly. But there was one line of development which the University hoped to see which was not at that time endorsed by Government—the extension of the Faculty of Engineering to include Electrical and Mechanical Courses. It may well be we were wrong. I feel that this expansion might be of considerable value to the Colony in several different ways. It seems too that this value might be considerable in proportion to the cost. A University Committee has recently endorsed this proposal for expansion in the Engineering Faculty. I must emphasise that the University cannot meet this new obligation from its present resources—and further assistance from Government will be necessary.

The Dental School proposed by Dr. Chau would be a much heavier commitment. This suggestion was first made in 1952 by the Keswick Committee on Higher Education. Hitherto we have shied off the project because of its cost and have tried alternative schemes for dentistry training in Malaya and Australia. The Malayan scheme gave rise to difficulties and it is now fairly clear that the Australian scheme cannot meet our needs—which will certainly increase in the future. The Director of Medical and Health Services has therefore been authorized to consult with the University on a detailed scheme for a Dental School in Hongkong.

The Chinese post-secondary Colleges have already done much to establish their position in the Hongkong system, and I am informed that three of them have now come into close co-operation under a Joint Council. This Council is preparing a memorandum on standards, finance, control and recognition of the Colleges. When this has been completed it will enable a full study of the possible development and functions of these colleges to be made. Not until then will it be possible to determine in what form recognition

and assistance should be accorded; but it will be Government's aim to ensure that a reasonable percentage of the best students from the Chinese middle schools in Hongkong are given a fair opportunity to continue their studies in recognized local institutions of higher education. Regarding assistance for private schools I agree that to extend the subsidy code to such schools would be a major commitment—in return for which we would not obtain the extra school places which is the value we must, in general, demand for our money. Nevertheless it may be possible to offer some form of additional help to well-run private schools where there is a proved financial need, and I have asked the Acting Director of Education to examine this possibility carefully.

DIRECTOR OF URBAN SERVICES (MR. C. G. M. MORRISON) ON HOUSING AUTHORITY SCHEMES

Dr. S. N. Chau enquired why the Authority has been so slow in spending the \$80 million which have so far been allocated to it. The Authority has been proceeding cautiously in the initial stages, but as things are, it is likely that the Cadogan Street scheme will be completed this year and the So Uk scheme next year. With the experience gained so far we hope that future schemes will be brought to completion much more quickly than the present ones. A public statement on the vacant flats at Java Road was issued on February 1 explaining that certain families in the income group \$300—900 were unwilling or unable to afford one fifth of their income for rent and this applied in particular to the large eight person flats, which are necessarily the most expensive. The Special List for the higher income group \$900—1,400 refers only to the largest flats and was only opened after very careful consideration by the Authority.

Members of the Authority are fully conscious of the need to provide accommodation at cheaper rents than the flats at North Point. Rents for any particular scheme cannot be finally worked out until the exact cost of the scheme is known but it appears that rents at Cadogan Street will be cheaper by as much as 20 per cent than those at Java Road. In regard to So Uk every endeavour is being made to keep down initial cost of the structures. There is, however, a very definite limit to what can be done as the rents of any particular scheme are determined by the cost of building, the standard of accommodation afforded and the terms of the land and capital loans made available. All factors are carefully considered and in this connection an architectural section has been created in the Housing Division of the Urban Services Department.

Economies in building costs are not the only means of lowering rents but if accommodation is to be provided for families with incomes of under \$300 per month it will almost certainly be necessary to lower the standard of 35 square feet of habitable floor space, and 350 cubic feet of clear internal air space per person which has hitherto been maintained by the Authority in conformity with existing legislation. It has also been suggested that a re-appraisal of the whole situation may be warranted. All these matters are at present under close review by the Special Committee on Housing. These are difficult and complex matters and Members of the Committee have been awaiting the report on the Housing Survey, which they recommended a year ago and which was carried out by the Hongkong University during 1957. That report has now been received and is under careful consideration by Members of the Committee, who hope to be able to render their final recommendations to Government in the near future.

DR. D. J. M. MACKENZIE ON MEDICAL AND HEALTH SERVICES

Last year my predecessor Mr. K. C. Yeo gave a comprehensive account of the organisation and development of the tuberculosis service. I will confine myself to a few brief references to the work of 1957 with particular reference to clinic facilities, existing or proposed. The Shek Kip Mei Clinic is now in full operation and since March 10 there are three major diagnostic and treatment centres available, one in Hongkong and two in Kowloon. During 1957, 55,322 patients were treated at two of these three clinics; there were 574,408 attendances and 160,690 X-Ray examinations were carried out by the radiological sections. During the year the number of active cases under treatment as outpatients rose to over 14,000. Existing clinic facilities will permit of up to 180 new cases of tuberculosis each day being accepted for ambulatory treatment. Secondary clinics are in operation at Cheung Chau, Lamma, Silvermine Bay, Ping Chau, Aberdeen and Stanley—all served from the Wanchai Chest Clinic. On the mainland the mobile X-Ray unit and staff from the Kowloon Chest Clinic visit regularly Tai Po, Yuen Long, Tsun Wan, Sheung Shui and Sai Kung.

During 1958/59 the new Sai Ying Pun polyclinic should be completed; a polyclinic for Yaumati is also being planned. When these two new buildings materialise there will not be any populous urban area which is more than 3 miles from a specialist tuberculosis clinic. When we have all these major strategic centres completed and established, the location of further secondary clinics can be more precisely determined for the densely populated urban areas. Meantime the tuberculosis service with existing staff and facilities can take many more patients each day if they present themselves at, or are sent to, the clinics for treatment. During 1957, 45% of all babies born in the Colony received B.C.G. protection.

In the treatment of cancer, there has been apprehension recently regarding the length of time it has been necessary for patients to wait before treatment can be given. The installation of an additional conventional deep therapy unit in the Queen Mary Hospital has enabled treatment to be speeded up and the turnover of patients increased. It is fortunate that the commoner cancers seen in the Colony are sensitive to and suitable for radio-therapy. Therefore it is considered essential to have the most modern equipment possible for the treatment of cancer in the New Kowloon Hospital. It is proposed to send a young physicist, who has shown an interest in and aptitude for electronics, to the United Kingdom later this year for a course of instruction and training. He would return to Hongkong in time to work with the engineers who will be responsible for the installation of the radio-therapy equipment in the new Hospital.

As to the role of different government hospitals, the Queen Mary Hospital is maintained and administered by Government but at the same time it is the Teaching Hospital of the University and certain services are provided by the staff of the Medical Faculty. The wards and certain other hospital facilities are available for the clinical teaching of medical students. Both the Queen Mary and the Kowloon Hospitals are "acute" hospitals; that is, they cater as far as possible for those patients who need treatment urgently and who do not tend to require long periods in Hospital. The ultimate criterion of admission to the general wards of either of these hospitals is the medical need of the patient. The source of origin of the patient or the source of the patient's employment do not enter into the picture. Government servants are given an advantage over others only when the admission is an "elective" one.

Also in Kowloon Hospital government servants do have an advantage in so far as the admission of maternity cases is concerned. However no abnormal case is ever turned away or refused admission. The 1957 admission records show:

	Members of General Public	Government Servants & their Dependants
Queen Mary Hospital	10,658	2,538
Kowloon General	6,451	1,193
Kowloon Hospital Maternity Section	925	1,891
Tsan Yuk Hospital	10,297	568
Cheung Chau	1,767	49
Sai Ying Pun	1,382	178
Lai Chi Kok	3,952	335

While the Queen Mary and Kowloon Hospitals show the highest proportion of government servants and their

dependants, the percentage of the total admission is not over 20%. The New Kowloon Hospital is estimated to provide accommodation for an additional 20,000 cases each year; taking an high average of 15% in respect of government servants, there will still be accommodation each year for at least 17,000 members of the general public. When this is considered in conjunction with the developments proposed at the Kwong Wah Hospital it does make a significant contribution towards bridging the gap between existing facilities and the needs of the general public.

FINANCIAL SECRETARY (MR. A. G. CLARKE) ON JOCKEY CLUB & INDUSTRIAL DEVELOPMENT

While it is true that the Jockey Club has acquired a monopoly on legalised gambling in the Colony, I do not think that this monopoly has been abused. It is incorrect to say

(Continued on Page 480)

PROPOSED HONGKONG DEVELOPMENT CORPORATION

The annual Budget debate in the Hongkong Legislature is always a feast of reason; and if the flow of soul lacks the acrimony and the sharp partisan exchanges now a little too common at Westminster, it shows an increasing sense of unity of purpose with Government. The Financial Secretary, as the principal tax-gatherer, must always expect to be scrutinised and prodded with embarrassing persistence. But this time there was such a succession of compliments that Mr. Clarke must have had to call on his final resources of Irish reserve, to banish a corresponding beam. In all the medley of problems and policies—and there never seemed quite so many—there was a manifest desire to be helpful and constructive rather than appeal to any outside gallery.

People all over the world are looking at the institutions of democracy with wide-open and questioning eyes. They look with scorn upon the silent, powerless Congresses of deputies which the Soviet and Chinese Communist Parties periodically call to hear the word and will of their lords and masters. They are all bondmen and their constituencies mere fiefdoms of the feudal power, in what are no better than the old Asiatic despotisms. But, as a very recent discussion in the leading London papers disclosed, the public in Britain, no less than in Paris and in the other great capitals of the free world, are weighing the party techniques in the free Parliaments and in some respects also find them wanting. There are, they say, too many little men in Parliament—and too many irresponsibles.

It is the last criticism that can be made of such an assembly as the Legislative Council of Hongkong, whose members either direct the main departments of a singularly efficient Government, or the destinies of great financial, business, professional and other institutions in which they have risen to the top by their own merits. They are in fact all men of proven capacity, and wise in the ways of the particular branches of expert knowledge and skills they represent. And one needs but to contrast them with the present Assembly in Singapore, or with the City Council, to appreciate the difference. It is in fact a type of assembly which meets halfway that ultimate synthesis which will be symbolised by a Parliament of experts in every expert domain—which is, after all, only a re-affirmation of the oldest of all such traditions, the Witanagemot—the Council of the Wise—from which the British system derived. In a sense, the Court system in China with the men of knowledge, scholarship and experience around the Throne, represents much the same idea.

Two matters of exceptional importance emerged from the debate. They are the proposed establishment of a Development Corporation and the controversy over the terminal buildings of the new airport. Of these the first is

easily the more vital. The terminal building is a matter of a little more or less. It is true that the expenditure of \$26 millions on such facilities—international rather than purely domestic—is a pretty stiff sum, which the members of the relevant Committee did well to look at more than twice in the midst of so many distant as well as near dangers to the Colony's economy.

But except as between marble and concrete, between, that is to say, ostentatious luxury and sheer utility, surely it is better to err on the side of imagination and of amplitude than on undue economy. The magnitude of air travel, both for business and for tourism, of the next generation is literally beyond the measurement of even the most imaginative mind to-day. It is well to be careful, especially just now, until we see the way the recession goes in America; it is still better to rely on an optimistic imagination and to remember always that the very first sight the air tourists will get on the ground will be the airport. They may well be an overwhelming percentage of the whole, despite the splendid news of the fine new liners to ply the Pacific. Someone, or perhaps more than one, among the planners, unquestionably has a sense of the grandiose and the value of making the best possible first impressions on the visitor. The new Star Ferry piers and indeed most of the ideas so far symbolised in models of the waterfront both on the island and on the peninsula of Kowloon are an expression of this spirit. People who have to trudge the vast distances and the many steps up and down the ferry piers do not, and cannot fairly be expected to, appreciate this spirit. But it does look to the future and expresses a sure confidence Hongkong cannot do without.

However, this is not so great a matter as the potentialities of the Development Corporation the Hon. J. D. Clague put forward. He put it before the Council as a bridge between Government and private enterprise, though it could be much more than that in the long run. Its main object would be to provide capital on reasonable terms for any enterprise which would further the best interests of the Colony as a whole. The Colony's greatest asset, he said, is the ingenuity of its people and their capacity for hard work. Any resources which could be channelled into increasing productivity and employment would be well spent. New forms of employment will have to be found for the ever-increasing population, and some of them were suggested in the notably constructive address of the Hon. Dhun Ruttonjee, in a speech urging a high degree of co-ordination of all plans, continuous improvement in quality and design of local products and, even more promising, a greater variety of products.

Already certain lines which have been plugged on the American market have caused a certain restiveness there

over the years. The capital gained by the energy, ability and keenness of generations of Chinese overseas as well as from many other sources, has been largely responsible for the immense "national construction" which has been going on here. It has been carried out without the groaning and gnashing of teeth, the blunders and bureaucracy and all the other ordeals of the mainland's First Year Plans. But per capita it has eclipsed all other feats of national construction in Asia, and it can, and indeed must, yet do more. There may well be new satellite towns dotted about the mainland, and even the islands, in the next generation as large as was Hongkong at the end of its first generation under the British flag; and those towns must be nourished with industries to keep them and their inhabitants in a steadily increasing standard of living. It has been estimated that well over US\$250m., or, say, £100m., reached Hongkong from Chinese families all over the world last year alone.

New ordeals have come upon the Chinese communities in South-east Asia, and especially in Indonesia. But even if the flow from these areas becomes much less profuse, to the Chinese communities in the Americas and in most other parts of the world Hongkong is the nearest thing to the China they or their fathers knew and perhaps the place where they would most like to rest their tired bodies in the evening of their lives. That source will continue for some time to come and it is being supplemented with infusions of new capital from American and other entrepreneurs. Subscriptions to development bonds cannot be expected to render the quick-rich returns of housing investment in recent years. But the capital already here and newly acquired may be trained to go much farther if a Development Corporation takes care of the long-term capital obligations, leaving the industrialists to devote more of his capital to expansion and perhaps diversification.

Flag	Vessel		Departed		Discharged		Cargo Loaded	
	No.	Tonnage	No.	Tonnage	(tons)	(tons)		
British	302	562,329	301	567,880	114,303	51,463		
American	24	131,144	24	131,144	10,464	5,663		
Cambodian	—	—	1	557	—	80		
Chinese	21	12,258	20	11,468	10,504	4,425		
Danish	20	72,210	21	70,469	6,582	6,584		
Dutch	21	89,293	19	76,971	21,733	5,886		
French	4	23,052	5	23,772	477	1,070		
German	10	45,037	10	45,037	2,910	2,963		
Indian	1	3,390	1	3,390	—	60		
Italian	2	9,310	2	9,310	17,153	45		
Japanese	42	148,032	43	145,929	15,822	26,035		
Korean	5	12,186	5	12,186	1,475	2,177		
Liberian	3	6,369	3	6,369	488	700		
Norwegian	37	113,019	41	128,152	42,228	16,872		
Panamanian	13	22,482	12	18,929	31,348	3,920		
Philippine	1	4,329	1	4,329	503	300		
Polish	2	7,675	2	7,675	—	2,276		
Swedish	11	38,055	10	34,159	22,946	1,500		
Yugoslav	1	1,759	1	1,759	521	1,500		
Total	520	1,301,929	522	1,299,485	299,457	132,020		

Regions	D e p a r t u r e		A r r i v a l	
	Passenger	Freight (Kilos)	Passenger	Freight (Kilos)
Australia	165	4,551	652	131
Bhutan	—	—	—	—
Thailand	1,144	20,937	799	977
Borneo	119	3,813	153	130
Burma	170	6,797	883	117
Cambodia	363	7,226	171	150
Canada	134	980	603	86
China	110	18,479	1,872	122
Europe	627	37,061	1,708	671
Hawaii	11	2,017	35	33
Guam	118	155	207	80
Honolulu	212	8,396	389	219
India	—	—	—	—
Indonesia	1,519	10,080	3,514	1,424
Japan	113	27,372	79	91
Laos	8	6,020	412	4
Macao	46	206	544	43
Malaya	42	845	113	752
Middle East	—	—	—	—
New Zealand	—	—	—	—
Okinawa	175	8,841	70	73
Pakistan	43	2,093	375	67
Philippines	1,502	11,939	837	1,466
Singapore	658	12,483	1,522	530
South America	96	925	6	12
South Korea	234	4,619	339	197
United Kingdom	139	8,952	2,647	207
United States	91	5,564	3,861	60
Vietnam	410	7,497	346	239
Wake Island	1	110	—	2
Zaire	—	—	823	—
Africa	—	—	145	—
Ceylon	—	—	—	—
Total	8,242	213,458	23,711	7,099

Direct Transit		Total Aircraft Arrivals	
Departures	- 376 -	Arrivals	- 371 -
732	13,746	732	13,746
Total	732	Total	732

HONGKONG STATISTICAL REPORTS FOR 1957

Vital Statistics—Births 97,834 (Chinese 96,726, Non-Chinese 1,108). Deaths 19,365 (Chinese 19,182, Non-Chinese 183).

General Retail Price Index—(March 1947: 100)—Jan. 120; Feb. 122; Mar. 120; Apr. 118; May 117; Jun. 118; Jly. 119; Aug. 118; Sept. 121; Oct. 123; Nov. 115; Dec. 112.

Hongkong Clearing House Figures—Jan. \$1,655,855,977; Feb. \$1,165,041,175; Mar. \$1,402,722,007; Apr. \$1,365,624,026; May \$1,454,416,878; Jun. \$1,293,183,750; Jly. \$1,392,330,441; Aug. \$1,378,374,106; Sept. \$1,432,981,513; Oct. \$1,493,577,567; Nov. \$1,389,925,415; Dec. \$1,515,604,622.

Banknotes in Circulation—Jan. \$748,031,200 (HK Bank \$691.7 m, Chartered Bank \$52.1 m, Mercantile Bank \$4.2 m); Feb. \$747,014,870 (691.7 m, 51.1 m, 4.2 m); Mar. \$749,480,135 (691.7 m, 53.6 m, 4.1 m); Apr. \$751,306,345 (691.7 m, 55.5 m, 4.1 m); May \$753,174,990 (691.7 m, 57.4 m, 4.1 m); Jun. \$753,249,185 (691.7 m, 58.1 m, 3.4 m); Jly. \$753,496,640 (691.7 m, 58.1 m, 3.6 m); Aug. \$754,641,785 (691.7 m, 58.7 m, 4.2 m); Sept. \$756,642,435 (691.7 m, 60.5 m, 4.4 m); Oct. \$756,518,035 (691.7 m, 60.4 m, 4.4 m); Nov. \$756,595,700 (691.7 m, 60.5 m, 4.4 m); Dec. \$755,345,905 (691.7 m, 60.2 m, 3.4 m).

Production of Electricity and Gas—Electricity 739,811,563 kw-hrs (lighting 175.8 m, power 289.9 m, traction 15.8 m, bulk supply consumers 252.9 m, public lighting 5.3 m). Gas 675,964,900 cubic feet (domestic 600.9 m, industrial 53.5 m, public lighting 21.6 m).

Food Supply—Animals Slaughtered 800,445 head (cattle 79,546, swine 709,914, sheep 10,985); Fish Marketed 46,609 tons; Vegetables Marketed 73,579 tons (locally grown 71,051 tons, imported 2,528 tons).

Mining Production—Feldspar 1,156 tons, Graphite 3,306 tons, Iron Ore 94,182 tons, Kaolin 6,961 tons, Lead Ore 130 tons, Quartz 4,192 tons, Wolfram Ore 36 tons.

Cement Output—104,327 tons.

Registration of Factories—Applications Received 534; Cancelled 196; Refused 9; Certificates Issued 331.

Building Construction (work completed)—Number of Buildings 1,995 (HK 781, Kowloon 1,214); Cost of Building \$170,200,585 (HK \$76.8 m, Kln \$93.3 m); Cost of Site Work \$4,916,217 (\$2.2 m, \$2.8 m).

Kowloon-Canton Railway (British Section)—Passengers: Upward 2,711,836; Downward 2,685,397; Concession Tickets 118,832. Freight: Upward 25,566,370 kilos; Downward 178,388,040 kilos.

Number of Vehicles and Drivers—Vehicles, new registrations in 1957 and (total on December 31, 1957): Motor Cycles, 518 (2,010); Private Cars, 4,370 (22,474); Taxis 198 (693); Buses, 104 (724); Public Lorries, 743 (2,007); Private Lorries, 691 (2,329); Construction Site Lorries, 171 (375); Government Vehicles, 201 (1,077); Private Rickshaws, 21 (21); Public Rickshaws, 0 (853); Tricycles, 7 (798); Trailers, 1 (9); Sedan Chairs, 6 (6); Tramcars, 0 (138). Drivers, new licences issued in 1957 and (total on December 31, 1957): Motor Car Drivers, 14,232 (76,053); Construction Site Drivers, 380 (809); Driving Instructors, 408 (895); Rickshaw and Tricycle Drivers, 3,708 (3,708).

HONGKONG SHIPPING IN 1957

VESSELS OVER 60 TONS				
	Entered		Cleared	
	No.	Tons	No.	Tons
British	3,040	5,449,503	3,012	5,398,378
American	252	1,365,556	252	1,365,556
Cambodian	8	4,456	7	3,899
Chinese	223	74,764	223	75,548
Costa Rican	2	2,403	2	2,403
Czechoslovak	1	2,732	1	2,732
Danish	221	760,571	219	757,991
Dutch	227	1,004,513	215	960,563
Finnish	8	23,705	8	23,705
French	69	329,695	67	329,057
German	72	330,639	72	330,639
Greek	2	8,770	2	8,770
Indian	16	52,373	16	52,373
Italian	25	129,435	25	129,435
Japanese	441	1,237,173	439	1,229,640
Korean	78	128,772	79	128,366
Liberian	35	99,417	35	99,417
Norwegian	480	1,326,695	460	1,316,413
Pakistan	1	2,889	1	2,889
Panamanian	181	270,111	179	270,328
Philippine	20	51,256	19	49,065
Polish	12	47,383	12	47,383
Portuguese	5	19,873	5	19,873
Ryukyu	1	1,963	1	1,963
Swedish	97	302,981	97	302,981
Thai	14	19,973	13	19,486
Vietnam	1	1,586	1	1,586
Yugoslav	24	59,358	25	63,095
Total	5,553	13,108,545	5,507	12,993,544

VESSELS OF 60 TONS AND UNDER

	Entered (tons)	Cleared (tons)
Junks	1,294,212	1,296,881
Launches	145,990	149,069
Total	1,440,202	1,445,950

FOREIGN TRADE DURING 1957

	Imports (tons)	Exports (tons)
Ocean-going Vessels	3,642,201	1,552,885
River Steamers	17,886	24,462
Junks	1,286,344	102,635
Launches	82,085	11,015
Total	5,028,516	1,690,997

HONGKONG AIR TRAFFIC IN 1957

Aircraft:	
Arrivals	4,234
Departures	4,236
Total	8,470
Passengers:	
Arrivals	120,840
Departures	116,884
Total	237,724
Freight:	
Imports (kilogrammes)	934,696
Exports (kilogrammes)	2,610,798
Total	3,545,494

BOOK REVIEWS

C. Martin Wilbur and Julie Lien-ying How:

Documents on Communism, Nationalism, and Soviet Advisers in China, 1918-1927

Columbia University Press, New York, 1956.

H. L. Boorman, Alexander Eckstein, Philip E. Mosely, and Benjamin Shwartz:

Moscow-Peking Axis: Strengths and Strains
Harper, New York, 1957.

Despite the wide disparity in time and substance between the Sino-Soviet relationships examined in these two studies, both books offer insights which are highly pertinent to present and prospective world political problems. The joint work of Dr. Wilbur and Miss How is not only a fascinating piece of historical scholarship which sheds new light on the Soviet-Kuomintang alliance of 1924-27 and the early development of Chinese communism; it is at the same time a documented case-study of Soviet aid to an indigenous nationalist movement and of the political tactics of the "united front"—both of which are again being exploited today, not only by Moscow but also by its Peiping ally, in the critical areas of the Middle East and of South and Southeast Asia. The Wilbur-How study thus lends timely reinforcement to the conclusions of the second book under review, which combines an appraisal of present Sino-Soviet tactics and their impact with a balanced assessment of the inner solidarity of the Moscow-Peking axis.

Before discussing the Wilbur-How volume further, it may be helpful to recall, in brief outline, the historical setting in which the early Soviet tie with the Chinese Nationalist Kuomintang developed. In China, the early 1920's found the republic born of the 1911 revolution divided and chaotic. The legally recognized government at Peking had become an impotent pawn in the power-struggles of ambitious warlords, and its claim to national authority was disputed by a rival government established at Canton by the Kuomintang leader, Dr. Sun Yat-sen. Sun's program called for a nationalist revolution to unify China, free it of foreign "imperialism" and modernize its political structure along democratic lines. But to realize these goals, he needed assistance in building an efficient, politically disciplined army and in strengthening the organization of the Kuomintang.

Meanwhile, at Moscow, the leaders of the new Soviet state saw their hopes for the spread of Communist revolution in Europe fading rapidly. Looking to China, however, they discerned a favorable opportunity, through aid to the Kuomintang, both to foment trouble for the capitalist powers and to work toward the ultimate transformation of the Chinese "bourgeois democratic" revolution into a Communist revolution on the Soviet model. During 1922-23, these Soviet aims converged with the needs of the Chinese Nationalists to forge the Soviet-Kuomintang alliance. By its terms Sun Yat-sen agreed, in return for Soviet political advice and military tutelage, to admit the Chinese Communists into the Kuomintang.

It is with the inner workings of the alliance and the conspiratorial activities conducted under its protection by the Soviet advisers and their Chinese Communist allies that a large part of the documentation presented by Dr. Wilbur and Miss How deals. All fifty documents contained in the book were originally among a voluminous amount of such materials seized in a sudden Chinese police raid on the Mil-

tary Attache's office of the Soviet Embassy at Ieking on April 6, 1927, not long before the final rupture of the Soviet-Kuomintang alliance.* Many of the seized documents were subsequently published in various languages, but most of those selected by the present authors have not hitherto been available in English translation. It should also be mentioned, in view of Soviet charges that the document translations publicized abroad in the wake of the seizure were forgeries, that the authors devote a brilliant chapter to the problem of authenticity. In it they explain in detail the exhaustive methods of cross-checking against independent Chinese and Japanese sources by which they verified, beyond all doubt, the overwhelming bulk of these materials.

As they indicate in their introduction, the authors deliberately steer clear of Soviet and Comintern policy-making in Moscow, with its entanglements in the bitter Stalin-Trotsky feud and in conflicts between the Comintern and the People's Commissariat of Foreign Affairs. Instead, they focus their attention on "Chinese aspects of the Revolution" and on the implementation, in China, of Moscow policy as it affected the Chinese Communists and their relationship with the Kuomintang. The documents are arranged in a pattern of logical development, and continuity is further aided by the interspersing of lucid analytical chapters by Miss How. In them she makes use of much valuable material, again carefully cross-checked, from the edited diaries of Chiang Kai-shek.

Many strands are woven into the revealing story told in the documents. In view of their seizure in the office of the Military Attache, it is natural that there is heavy emphasis on the activities of the Soviet military advisers, and less about the activities of the political agents who operated under the direction of Sun Yat-sen's top adviser, Mikhail Borodin. Political developments, however, concerned the military advisers, too, and are revealingly discussed in many of their reports. Thus the documents testify to the tortuous efforts of the Communists, while professing complete loyalty to the Kuomintang leadership and its policies, to maneuver themselves ever closer to a controlling position in the party. The often groping efforts of the Soviet advisers, working in—to most of them—terra incognita, and the growing resistance of Chiang Kai-shek to Communist political machinations are other interesting threads in the story.

Intelligence reports of Soviet military advisers stationed at Canton, Wuhan, Shanghai, Peking and even at remote Kalgan testify to both successes and difficulties in their efforts to gain commanding influence in the Nationalist and Kuominchun armies. Thus, a report by the head of the Soviet advisory team in South China claimed considerable success in capturing key army positions by the end of 1925, but lamented that it was "not possible to penetrate further to obtain complete control because of . . . the shortage of advisers . . . and the complete lack of interpreters."

This objective difficulty evidently was compounded by the subjective attitude of superiority of some Russian advisers, one of whom remarked disdainfully that "Chinese

* The raid on the Soviet Embassy was carried out by order of Chang Tso-lin, the warlord of Manchuria, whose troops then controlled Peking. A bitter foe of the Kuomintang, as well as of the Russians, Chang evidently ordered the raid in order to discredit the Kuomintang by showing its subjection to Soviet and Communist influences. Chiang Kai-shek himself denounced the raid as an outrage in a note to the Soviet charge d'affaires in Peking.

officers are entirely ignorant of military science." Another report, however, suggests that the Russians were not entirely unaware of such pitfalls, for it deprecated the frequent assumption by advisers of "leading positions, directly handling all matters" and warned against "excessive supervision of the generals and various organs." The same report acknowledged that "we normally pay no attention to Chinese habits, customs, and etiquette."

Nevertheless, the grip acquired by the Soviet advisers in the highest echelons of the Kuomintang military organization seemed on the way to becoming a stranglehold. A summary report of February 1926 boasted frankly: "Our military director (General Victor P. Rogachev) actually acts as Chief of the General Staff, but his official position is that of adviser to the Chief of the General Staff." Similarly, in the operations, intelligence, and administrative branches of the army, as well as in the naval and aviation bureaus, it was not the nominal Chinese chiefs but their Soviet advisers who "were, in fact, at the head. . . ." The summary also reveals significant action to insinuate Communist influence into the indoctrination of the army rank and file by placing "as many workers from the Left Wing as possible in the political organs of the Army."

The success of the Soviet advisers in the military sphere was paralleled by rising Communist influence in Kuomintang political affairs, reflected in the triumph of the Left Wing in the struggle for party control following the death of Sun Yat-sen in 1925. Moscow's strategy, however, succeeded too well, for Chiang Kai-shek, now one of the two leading contenders for the Kuomintang leadership, was impelled by the dual Communist threat to strike his first vigorous blow against them and the Kuomintang Left on March 20, 1926. One of the documents in the Wilbur-How book records the discussion which took place at a conference of Soviet advisers held at Canton to consider the causes and implications of Chiang's action. Nilov, adviser to the Nationalist Fourth Army, blamed the Chinese Communists for going too far too fast, adding this graphic description of the situation in the Army:

(Communist) political workers man the most important posts and appoint members of their own cliques to various posts. They secretly pursue tasks unknown to the respective commanding officers. . . . In each of the divisions of the Whampoa Army, four out of five commissars are Communists. (The Chief of the Political Department of the Army (Chou En-lai) is also a Communist.) Of the sixteen commissars in each regiment, five are Communists.

The frankly pragmatic and calculating nature of the Soviet strategy was underlined by the decision of the advisers, in spite of the March 20 coup and their recognition that Chiang might be planning further anti-Communist moves, to continue cultivating him as long as possible in order to use his influence in the Kuomintang. In another document dealing with the coup, General Stepanov, adviser with the First Army, affirmed: "There is no doubt that we should, in the light of the overall program utilize him by all means. . . by satisfying his desire for glory and enabling him to achieve greater power and strength than he now enjoys."

Parallel with the activities carried on in the Nationalist armies in the south, other Soviet advisers were working toward the same objectives at the Kalgan headquarters of the Kuominchun armies led by the northern warlord, Feng Yu-hsiang, whose support was desired by both the Kuomintang and Moscow. Soviet calculations with respect to Feng were explained by one adviser in these characteristically Machiavellian terms:

If Feng is consistent and of permanent benefit to us, we should see that his influence grows strong and lasting. On the other hand, if we wish to ally with him merely because he is an enemy of pro-Japanese and conservative groups, we need only build up his fighting force in order to attain our objective, after which we may destroy the deceitful fellow.

Though the Soviet courtship of Feng achieved a visible measure of success during 1926, it ultimately failed as completely as did the continued Soviet efforts to cultivate Chiang Kai-shek. There was a temporary reconciliation after the March 20 coup, but intensified Communist efforts to strengthen the Kuomintang Left Wing against Chiang's "New Right" finally led Chiang, in April 1927, to launch a bloody anti-Communist purge which spelled the end of the coalition and was soon followed by the mass expulsion of the Soviet advisers. The entire edifice of Moscow's grand strategy for capturing the Chinese revolution had toppled like a house of cards, but its lessons are still valuable today.

The specialists on Soviet and Chinese communism whose contributions appear in the Council on Foreign Relations study, *Moscow-Peking Axis*, have no such revealing documents and secret reports as did Dr. Wilbur and Miss How to buttress their findings. They are obliged to grapple almost intuitively with ritualized releases from the Soviet and Chinese Communist news agencies monotonously swearing to the "unshakable unity" of the Sino-Soviet alliance. Yet, despite this severe lack of trustworthy factual materials, the various analyses presented in the book offer penetrating and plausible interpretations of the consequences of the alliance, actual and potential, both for its partners and for the world.

Especially valuable is Professor Eckstein's evaluation of the problems inherent in the Sino-Soviet effort to harmonize economic structures and goals which are competitive rather than complementary. Pointing out that neither member of the axis wants what the other is most willing to export, he concludes that "a high level of trade between China and the Soviet Union is disadvantageous for both trading partners." He also notes the strain imposed on Soviet capital resources by the mounting demands of the Chinese industrialization program, but adds the caution that "from a Soviet point of view . . . this may be more than compensated by possible political gain which Moscow can reap from China's economic dependence upon the Soviet Union."

Elements of unity and divergence between Moscow and Peking in the ideological sphere are ably dealt with by Professor Schwartz, who points to two major departures by the Chinese Communists from Moscow orthodoxy. The first developed during the 1930's and centered on the concept of avenues to power. As the author points out, "with the clear emergence of the Maoist strategy as the only viable path in China, the notion of the necessity of an actual urban proletariat base ceased to have operational consequences. This element of orthodoxy had become a dead letter." The second Chinese departure came after the Communist seizure of power in 1949 and was marked by the Mao regime's elaboration of a concept of "people's democracy" wholly at variance with Soviet theory as applied in Eastern Europe. Not until the Twentieth CPSU Congress in February 1956 did the Soviet leaders officially sanction this "different path to socialism."

Moscow's acceptance of such deviations on the part of its Soviet ally underscores Professor Schwartz' warning that ideological differences in themselves do not prompt open rupture of an alliance based upon expediency and power

considerations as well as on shared values. But his conclusion is well taken:

The drastic disintegration of the ideology—a disintegration to which the Chinese party has contributed substantially—has greatly weakened ideology as a binding fabric, not only between Moscow and Peking but among all the states of the Communist world.

Despite the fissures in its ideological armor, the Communist bloc continues to exert a political impact of deep concern to the whole non-Communist world. Professors Boorman and Mosely analyze this impact, with particular emphasis on the adjacent countries of Asia and the Middle East. Neither author is sanguine about the prospects that political rivalry or a conflict of interests over respective spheres of influence in these areas will bring an open schism between Moscow and Peking. On the contrary, both anticipate continued Sino-Soviet collaboration toward the end of bringing the target areas under ultimate bloc domination.

Professors Boorman and Mosely also agree with respect to the possibility of a return by the Communists to the violent insurrectionary policy practiced between 1948 and 1951, but they believe it to be more probable that primary Communist strategy will focus on exploiting economic and political points of weakness in order to expand their influence. The means employed will include stepped-up "cultural exchanges", dramatic announcements of economic aid, and military assistance in cases where it is likely to cause increased tension among non-Communist countries.

To combat these tactics, Professor Mosely emphasizes the need to back up the "strategic consolidation of the free world" with flexible and imaginative programs of political, economic and cultural cooperation capable of winning "the sincere support of the peoples of both committed and uncommitted areas." He soberly concludes:

In Asia the free world has both handicaps and advantages. It must examine both realistically if it is to meet successfully the new challenge of the Moscow-Peking axis.

FINANCE & COMMERCE

FAR EASTERN NOTES AND NEWS

Agreements and Arrangements

An economic aid agreement signed last October between the Governments of Ceylon and the United States of America specifies that the United States will furnish Rs 7.33 million (Re 1 = US\$0.21) for the improvement of Ceylon's suburban railway services. The overall programme launched by the Government of Ceylon includes the purchase of 45 diesel motor coaches of 750 hp each, the construction of special trailer coaches by the Government railway shops and the installation of an automatic controller light signalling system.

Under an agreement reached between the Governments of Ceylon and India, Ceylon will export 1,500 candies (1 candy = 560 lb) of tobacco to India in 1958, the quantity to be gradually reduced in the succeeding four years. The annual export of chewing tobacco to India from Ceylon amounted to Rs 2 million.

A new trade agreement, valid for one year, which was signed last November between the Governments of the Republic of China and Greece, provides, in addition to most-favoured nation stipulations, that the basis for financial arrangements will be the US dollar. Exports from China will include sugar, rice, tea and camphor, while imports from Greece will be tobacco, cotton, gypsum and other items.

An agreement was signed last October between the State Trading Corporation of India (a government organization) and the Japan Textile Machinery Manufacturers Association for the supply of various items of textile machinery from Japan to India on a deferred payment basis. Ten per cent of the value of each contract will be paid immediately upon the placing of orders; another 10 per cent on presentation of shipping documents and the balance of 80 per cent in ten equal half-yearly instalments. The rate of interest is 6 per cent per annum.

A loan agreement was signed last November between the Governments of India and the Union of Soviet Socialist Republics (USSR) for the credit of Roubles 500 million or approximately Rs 600 million (Re 1 = US\$0.21) for machinery and equipment to India. The loan is to be repaid in twelve equal instalments one year after the delivery of Russian equipment at a rate of 2½ per cent per annum.

The credit is to be used for the erection of factories for heavy machine building, coal mining machinery and optical glass as well as a thermal power station and equipment for coal mining at Korba. The USSR Government also agreed to give further credits if the total foreign exchange for the five projects should exceed the present Rs 600 million.

A trade agreement between the Governments of Indonesia and Hungary signed last September is valid for one year. Exports from Indonesia to Hungary will include tin, copra, tea, tobacco, resin, rattan, fruits, tapioca and other commodities. Imports from Hungary into Indonesia will consist of power plants, railway rolling stock, motor vehicles, chemicals, pharmaceuticals, textiles, provisions and beverages and other goods.

Arrangements were finalized between the Government of Pakistan and the World Bank to secure a loan of Rs 20 million (US\$4.2 million) for financing the development of private enterprises in Pakistan. A corporation entitled the Pakistan Industrial Credit and Investment Corporation has been formed by private Pakistani, British, American and Japanese investors. The shares to be subscribed will be undertaken by Pakistani investors up to 60 per cent, American and British, 15 per cent each and Japanese, 10 per cent and the initial capital will be Rs 20 million. The Government of Pakistan will make a 30-year interest free advance of Rs 30 million to the corporation. The principal aims of the corporation will be to assist the expansion or modernization of small and medium-scale industries and the setting up of new ones.

A loan agreement of US\$21 million has been concluded between the Government of the Philippines and the World Bank for the development of a hydro-electric power plant in Luzon Province. The programme calls for the construction of a dam, a reservoir and an underground power house with a capacity of 100,000 kW. Work has already been started and the entire project is expected to be completed by 1960.

The Governments of the Republic of Vietnam and the United States of America signed last November an investment and guaranty agreement, whereby investors in southern Vietnam will be assured that their earnings can be converted into US dollars and repatriated to the United States. However, projects must be first approved by the

Government of the Republic of Vietnam and the United States Government and only such investments will be approved as will assist the economic development or trade of the country.

Development Plans

At a cost of about Rs 15—20 million (Re 1' = US\$0.21), a fertilizer factory is being planned by the Government of Ceylon. It will be located near Colombo. So far Ceylon's import of fertilizer averaged about Rs 55 million per annum, and the government expenditure on fertilizer in 1957 is expected to reach Rs 7.5 million and in 1958, Rs 22 million, as it has been decided to treble the supply to be given to coconut growers under the rehabilitation scheme.

Further tariff production to the cotton textile machinery industry for another three years ending 31 December 1960 was recently approved by the Government of India. The products concerned consist of ring frames, spindles, spinning links, fluted rollers and automatic looms. However, beginning 1 January 1958 the protection for plain looms was discontinued. The protective duty for the above products remains unchanged, i.e. 10 per cent ad valorem.

A modern wheat flour mill will be set up in the Philippines in the near future and will use as raw material imported wheat. The plant and silos are being designed by an Australian firm which will also supply all the machinery. Last November, a synthetic resin manufacturing plant was opened; the annual production capacity is 16 million lb of urea resin. The first plant of its kind in the Philippines, its output is anticipated to meet the requirements of adhesive materials for the Philippines plywood industry.

The Government of Thailand will set up, at cost of Baht 7 million (Bht 21 = US\$1), a fertilizer plant utilizing garbage. The proposed plant is the first of a Bht 20 million six-year programme design to save foreign exchange involved in importing chemical fertilizers from abroad. At present Thailand imports Bht 40 million worth of fertilizers annually. The Government plans to sell the fertilizer to farmers at a low price.

The Government of India recently approved the proposal of the state-owned concern, the Nangal Fertilizer and Chemical (Private) Co., Ltd., for the construction and erection by a French firm of a group of fertilizer plants in Nangal valued at Rs 75 million (Re 1 = US\$0.21) on a long-term deferred payment basis. Ten per cent of the value of the contract will be paid immediately and the re-

mainder will be paid in instalments over a period of seven years beginning from three months after the completion of the plant, around July 1960, and to be completed by February 1963, at an interest of 6½ per cent. The proposed plant will produce nitro lime-stone fertilizer with an annual capacity of about 395,000 tons and 12 to 15 tons of heavy water. This is the second such big contract so far placed by the organization. The first one was concluded in March 1957 with an Italian firm for electrolyzers valued at Rs 35 million and also on a long-term deferred payment basis.

A contract for the construction and erection of an urea plant in Dacca, East Pakistan was signed last October between the Pakistan Industrial Development Corporation (a government concern) and the Kobe (Japan) Steel Works. To be built at a cost of Y12,000 million (Y360 = US\$1.00), the plant will have a capacity of producing 130,000 tons of urea a year. According to the terms of the contract, the entire work of constructing the plant will be done with Japanese materials and by Japanese technicians who will operate it until it is put on a paying basis. In the meantime, Pakistani technicians will be trained in Japan.

Commodity Notes

For the fiscal year 1956-57 (November 1956—October 1957) the coconut industry in the Philippines was the major dollar earner in the country. Exports of copra, coconut oil and desiccated coconut reached the peak f.o.b. value of US\$187.5 million, which was more than 39 per cent of the country's total export trade.

The Government of the Republic of Vietnam has established quantities and prices for the export of rice in 1958. It is expected that 250,000 tons will be available, an increase of 50,000 tons over the estimate for 1957.

For the year 1958 it is expected that 320,000 tons of rice will be imported by Indonesia for domestic consumption. This figure indicates that the rice import in 1958 would be much less than in 1957, when up to the end of October already 500,000 tons had been imported into the country.

Negotiations were finalized between the Government of the Union of Burma and Ceylon for the purchase in 1958 by Ceylon of 200,000 tons of Burmese rice at a price to be decided upon at a later date.

The Government of India decided that for the 1957-58 season 155 million lb of tea could be exported from North India as compared with 160 million lb for the previous year.

HK EXCHANGE MARKETS

U.S.\$				
Date	T.T.	T.T.	Notes	Notes
	High	Low	High	Low
31/3	\$583	582½	581¼	580%
1/4	582¾	582½	581¾	581
2/4	582½	581¾	581½	580%
3/4	582¾	582	581½	580½
4/4)	H o l i d a y			
5/4)				
D.D. rates: High 581¾, Low 580¾.				

Highest and lowest rates for March were: T.T. 585/582½; Notes 582¾/580%.

Last week's trading totals were: T.T. US\$3,150,000; Notes cash \$405,000, forward \$1,190,000; D.D. \$380,000. The market was quiet. In the T.T. sector, offers from Japan, Korea, Thailand and the Philippines were absorbed by general and gold importers. In the Notes market, 1'eking agents bought over US\$ one million cash notes. Interest for change over favoured sellers and aggregated 60 HK

Cents per US\$1,000. Positions taken by speculators averaged US\$1½ million per day. The D.D. market was active with increased remittance from overseas Chinese to their relatives in HK and China.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.77—1.765, Japan 0.014175—0.014125, Malaya 1.873, South Vietnam 0.0695—0.069, Laos 0.057, Cambodia 0.084, Thailand 0.274—0.272, Indonesia 0.10. Sales: Pesos 240,000, Yen 70 million, Malaya \$220,000, Piastre 6 million, Kip 4 million, Rial 4 million, Baht 2 million, Rupiahs 100,000.

Agreed Merchant T.T. rates: Selling and buying per foreign currency unit in HK\$: England 16.2025—16.1006, Australia 13.0169—12.7575, New Zealand 16.2025—15.8678, United States 5.7762—5.6939, Canada 5.9259—5.8394, India 1.2158—1.2048, Pakistan 1.2176—1.2039, Ceylon 1.2195—1.2075, Burma 1.2158—1.2048, Malaya 1.8868—1.8692. Selling per foreign

currency unit in HK\$: South Africa 16.237, Switzerland 1.3267, Belgium 0.1164, West Germany 1.3858.

Chinese Exchange: The official rates for People's Yuan remained at 6.839 per Pound Sterling, 0.427 per HK\$, 0.805 per Malayan \$, 0.514 per Indian or Pakistan Rupee, 0.585 per Swiss Franc, and 2.345 per US\$; cash notes quoted HK\$1.37—1.27 per Yuan. Taiwan Dollar cash notes quoted \$0.147—0.146 per Dollar and remittances at 0.141—0.139.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 16.10, Australia 12.50, New Zealand 14.32, Egypt 10.00, East Africa 15.00, South Africa 15.85, West Africa 13.00, Jamaica 13.50, Gibraltar 13.50, Malta 12.50, Cyprus 12.50, Fiji 10.00, India 1.1775, Pakistan 0.82, Geylon 0.96, Burma 0.54, Malaya 1.85—1.837, Canada 5.9325—5.915, Cuba 5.00, Argentina 0.125, Brazil 0.052, Peru 0.26, Mexico 0.40, Philippines 1.81—1.805, Switzerland 1.35, West Germany 1.35, Italy

0.00905, Belgium 0.106, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.45, France 0.0126—0.0125, South Vietnam 0.0775—0.0765, Laos 0.058—0.057, Cambodia 0.085—0.083, New Guinea 1.00, Indonesia 0.113—0.111, Thailand 0.268—0.267, Macao 1.01—1.005, Japan 0.01525—0.01515.

Gold Market

Date	High .945	Low .945	Macao .99
31/3	\$254 $\frac{1}{2}$	254 $\frac{1}{4}$	264 $\frac{1}{2}$ High
1/4	254 $\frac{1}{2}$	253 $\frac{3}{4}$	
2/4	253 $\frac{3}{4}$	252 $\frac{1}{2}$	
3/4	253 $\frac{1}{4}$	252 $\frac{1}{2}$	Low 264
4/4)			
5/4)			Holiday

Opening and closing prices last week were 254 $\frac{1}{2}$ /253 $\frac{1}{4}$; highest and lowest, 254 $\frac{1}{2}$ /252 $\frac{1}{2}$. Highest and lowest prices in March were 255 $\frac{1}{2}$ /254. The market last week was easier, with rates going down slowly. Local stock increased gradually and interest for change over in the forward market favoured sellers and aggregated HK\$ 1.50 per 10 taels of .945 fine. Trading volume averaged 4,900 taels per day and amounted to 19,600 taels for the four-day working week; 10,670 taels of the total were cash transactions (2,270 taels listed and 8,400 taels arranged). Positions taken by speculators averaged 7,500 taels per day. Imports from Macao totalled 11,000 taels. One shipment of 36,000 fine ounces arrived Macao during the week. Exports amounted to 8,000 taels (5,000 taels to Singapore, 1,500 taels to Rangoon, and 1,500 taels to Bangkok). Differences paid for local and Macao .99 fine were HK\$12.20—12.00 and 11.50—11.20 respectively per tael of .945 fine. Cross rates were US\$38.02—38.00 per fine ounce; 17,600 fine ounces were concluded at 38.02 cif Macao. US double eagle old and new coins quoted \$263 and 230 respectively per coin, English Sovereigns \$59 per coin, and Mexican gold coins \$275 per coin. **Silver Market:** 400 taels of bar silver traded at \$5.65—5.60 per tael and 500 dollar coins at \$3.60 per coin. Twenty-cent silver coins quoted at \$2.77 per five coins.

Money Market: Local interest rates remained unchanged in spite of the reduction of the discount rate in London. Current rates are: inter-bank short term credits, 4 $\frac{1}{2}$ % p.a.; letters of credit, 6% p.a.; general overdrafts and loans, 8 to 10% p.a.; and mortgages, 10 to 12% p.a. Chinese native banks and money lenders asked 10 to 12% p.a. for general credits and 12 to 15% p.a. for mortgages and loans without security.

HK SHARE MARKET

The market before the Easter Holidays was firm. Interest was centred on HK Banks, Wheelocks, Providents, Lands, Realities, Cements, Stores and Utilities. With the exception of Ce-

Share	Mar. 28	Last Week's Rate			Up & Down	Dividend	Estimated Annual Yield (%)
		Highest	Lowest	Closing			
HK Bank	785	792.50 s	787.50	790	+\$5	\$50	6.32
Wheelock	5.90	6.10	5.90	6.10	+20c	75c	12.30
HK Wharf	116	118 s	113 b	116 n	firm	\$9	7.76
HK Dock	45.50 b	46 n	45 b	45 b	—50c	\$2	4.44
Provident	11.90	XD 11.20	XD 10.90	XD 11.20	+30c	\$1	8.93
HK Land	31.75 s	32.50	31.75	32.50	+75c	\$2.40	7.38
Realty	1.425 s	1.45	1.40	1.45	+2 $\frac{1}{2}$ c	15c	10.34
Hotel	16.10	16.90	16.10	16.80	+70c	\$1.50	8.93
Trams	23 b	23.70	23.10	23.70	+70c	\$1.90	8.02
Star Ferry	117 s	117 s	113 b	117 s	steady	\$9	7.89
Yaumati	92	92	91.50 b	92 b	steady	\$7.50	8.15
Light	17.20	17.60	17.20	17.70	+50c	\$1.10	6.21
Electric	26.20	26.70	26.20	26.80	+80c	\$1.90	7.05
Telephone	25.70	26.20	25.70	26.40	+70c	\$1.50	5.68
Cement	21 s	20.50	20.20 b	20.60 s	—40c	\$3	14.56
Dairy Farm	16.90	17.30	17	17.30	+40c	\$1.80	10.40
Watson	10.80	10.80	10.80 b	10.80 b	steady	\$1	9.26
Yongtze	5.45 n	5.45 s	5.40 n	5.40 n	—5c	65c	12.04
Allied Inv	3.65 n	—	—	3.65 n	quiet	25c	6.85
HK & FE Inv	10 n	10.10	10 n	10.10 n	+10c	80c	7.92
Amal Rubber	1.275	1.275	1.25	1.275	firm	20c	15.68
Textile	4.625	4.65 s	4.60 b	4.65 s	steady	50c	10.75
Nanyang	8.60	8.75 s	8.45 b	8.60 n	steady	\$1	11.63

ments, other shares all chartered a steady upward price curve. The undertone at the close was bullish.

Turnover on Monday totalled \$361,000, Tuesday \$619,000, Wednesday \$608,000 and Thursday \$611,000. The market was closed on Friday.

CLOSING RATES ON 31-3-58

H.K. Govt. Loans	
3 $\frac{1}{2}$ % Loan (1934 & 1940), 89 nom.	
3 $\frac{1}{2}$ % Loan (1946), 82 $\frac{1}{4}$ nom.	

Banks	
H.K. & S. Bank, 787 $\frac{1}{2}$ b; 790 sa.	
H.K. & S. Bank (Lon. Reg.), £41 $\frac{3}{4}$ nom.	
Bank of East Asia, 260 nom.	

Insurances	
Union Ins., 72 b.	
Lombard Ins., 33 s.	
China Underwriters, 6 $\frac{1}{2}$ nom.	

Investment Companies	
Allied Investors, 3.65 nom.	
Yongtze Finance, 5.40 s.	
H.K. & F.E. Invest., 10 nom.	

Shipping	
Douglas, 420 nom.	
Indo China (Pref.), 13 nom.	
Indo China (Def.), 38 nom.	
U. Waterboat, 18.20 nom.	
Asia Nav., 1.275 b.	
Wheelock, 5.90 b; 6 s.	

Docks, Wharves, Godowns, Etc.	
H.K. & K. Wharf, 118 s.	
Sh. Hongkew Wharf, 1.20 nom.	
H.K. Dock, Ex. Div. 46 nom.	
China Provident, Ex. Div., 10.80 b; 10.90 s.	
S'hai Dockyards, 1 nom.	

Mining	
Raub Mines, 2 $\frac{1}{2}$ nom.	
H.K. Mines, 3c nom.	
Lands, Hotels & Bldg.	
H. & S. Hotels, 16 b; 16.20 s.	
H.K. Land, 31 $\frac{1}{2}$ b; 32 s; 31 $\frac{1}{4}$ sa.	
A/Fr. Land, 35 nom.	

S'hai Land, 72c s.
Humphreys, 14 $\frac{1}{2}$ b; 14.80 s; 14.60 sa.
H.K. Realty, 1.40 b; 1.425 s.
Chinese Estates, 360 nom.

Public Utilities	
H.K. Tramways, 23 b; 23.20 s.	
Peak Trams (F. Paid), 71 nom.	
Peak Trams (P. Paid), 36 nom.	
Star Ferry, 113 b; 117 s.	
Yaumati Ferry, Ex. Div., 91 b.	
China Light, 17.10 b; 17.30 s; 17.20 sa.	
H.K. Electric, 26.20 b; 26.40 s; 26.30 sa.	
Macao Electric, 10.40 nom.	
Sandakan Light, 8 $\frac{1}{2}$ nom.	
H.K. Telephone, 25.70 b; 25.70/80 sa.	
Shanghai Gas, 1 nom.	

Industrials	
G.I. Cement, 20 $\frac{1}{2}$ sa.	
H.K. Rope, 14 $\frac{1}{2}$ s.	
Metal Industries, 1.075 nom.	
Amoy Canning (HK), 39 $\frac{1}{2}$ b.	

Stores	
Dairy Farm, 16.90 b; 17 s; 17 sa.	
Watson, Ex. Div., 10.80 b; 10.90 s; 10.80 sa.	
L. Crawford, 15.20 sa.	
Cald. Macg. (Ord.), 28.40 nom.	
Sincere, 3 $\frac{1}{2}$ nom.	
China Emporium, 9 nom.	
Sun Co., Ltd., 1 nom.	
Kwong Sang Hong, 160 nom.	
Wing On (HK), 74 $\frac{1}{2}$ b.	

Miscellaneous	
China Entertainment, 22.80 nom.	
International Films, 30c nom.	
H.K. Construction, 5.80 nom.	
Vibro Piling, 14.30 nom.	
Marsman Investments, 6/- nom.	
Marsman (HK), 65c nom.	

Cottons	
Ewos, 85c nom.	
Textile Corp., 4.65 s.	
Nanyang Mill, 8 $\frac{3}{4}$ s.	

Rubber Companies	
Amal. Rubber, 1 $\frac{1}{4}$ b; 1.275 s.	
Ayer Tawah, 1.95 nom.	
Java-Consolidated Estates, 18c nom.	
Langkat, 1 $\frac{1}{4}$ nom.	
Rubber Trust, 1.375 b; 1 $\frac{1}{4}$ s.	
Shanghai Keituan, 77c b.	
Shanghai Sumatra, 2.00 nom.	
Sungala, 1 $\frac{1}{4}$ nom.	

SINGAPORE SHARES

The market during the week ended March 28 was quiet. Industrials closed barely steady at the lower levels, although overall declines were quite small. Straits Steamship however held steady at \$20.25 with further buyers at this level at the close. Fraser & Neave eased from \$2.72½ to \$2.67½ and Gammons closed at \$2.35 after \$2.40 earlier. Hammers remained at \$1.76x.d. as did Malayan Breweries at \$3.52½c.d. Malayan Cement lost 5c. to close at \$1.35, but the partly paid shares put on 2½c. to 80c. Federal Dispensary opened at \$2.27½, improved to \$2.40, but closed with sellers at \$2.32½. Wilkinson Process closed at \$3.10, 10c better than that of the previous week.

Tin opened at \$367 per picul, dipped to \$364.75 before recovering to \$366 at the close. The Federation Tin Controller announced that quota percentages for the second control period which starts on April 1st are 48.02 for European mines and 45.78 for Asian mines. Surprisingly, this depressing information failed to spark off a wave of selling in the Tin Share section of the market, which tends to indicate that prices are again reaching levels where holders sit tight in the belief that an artificial shortage of the metal must come about eventually, followed by a fair rise in the metal price. Although Tin Shares eased throughout the week, falls were not very appreciable and most counters were quietly steady at the close. Austral Amal. fell 9d. to 11¼, and Berjantai fell 7½d. to 12/7½. Lower Perak closed at this level too, but showed a loss of only 6d. Kuala Kampar were out of favour and eased from 31/3 to 30/-. Rantau, however, held steady throughout at \$1.47½. Petaling and Sungei Way lost 7½c. and 3c. respectively.

Rubbers were quiet but small selective support again caused a number of quotations to be marked up. The balance of the purchase price of Allenby Rubber Company's Eng Kee Estate having been paid, the Directors have convened an Extraordinary General Meeting on the 18th of April at which they will propose that the Company be put into voluntary liquidation. The shares improved by only 2½c. to close at \$2.52½x.d. Jimah improved from \$3.30 to \$3.37½ and Mentakab closed at \$2.57½c.d. after \$2.52½c.d. earlier. Sterling Rubbers were dull and transactions included Bertam at 2/5, Ipoh at 2/3¼x.d. and Ratanui at 6/-d. Tremelbye eased from 17/- to 16/7½d.

Loans were very quiet and no price changes have yet been recorded since the Bank Rate was reduced in the U.K.

There was a reduction in the volume of business written in overseas investments.

TRADE DEVELOPMENTS IN MARCH

CHINA TRADE

China/Japan Trade—The signing of a \$70 million trade agreement on March 5 in Peking between Chinese trade officials and Japanese businessmen deadlocked trade relations between Japan and Taiwan on account of the attached flag clause. Taiwan demands that Japan must not allow Peking trade mission to fly Red China's flag in Japan. Tokyo has postponed the approval of the trade agreement and is seeking a way to appease Taipei while at the same time to increase trade with China without recognizing the Peking Government.

Meanwhile, Japanese businessmen concluded 80 million yen worth of contracts at the Japanese Exhibition in Canton. The exhibition is now being held in Wuhan. A director of Tokyo's Koyo Bussan Company signed more than £300,000 worth of contracts with Chinese trade officials during his recent visit to China; KBC will ship iron, steel and construction materials to China and in return import Chinese iron ore and foodstuffs. In Tokyo, Chinese government representatives started discussions with major Japanese iron and steel companies regarding the exchange of iron ore for steel on the basis of a 5-year £200 million barter agreement signed between Chinese officials and a Japanese steel mission in Peking in February.

Major shipping lines in Japan will soon start to operate regular liner service to China to cope with the increasing cargo traffic between China and Japan. A Japan-China Liner Association has been formed by 11 companies which are operating irregular services at present. Ship traffic between China and Japan recently increased to about 30 return trips a month from about 10 early last year.

China/UK Trade—British businessmen continued to establish long-term trade contacts in China. During his stay in China, the Chairman of the '48 Group' of British businessmen, Mr. S. G. Sloan of Rubery Owen and Company, had interviews with leading officials of the Chinese Ministry of Foreign Trade, heads of the Import and Export Corporations, and other government officials. According to Mr. Sloan, the purpose of these talks was to form an impression of the new economic trends in China and to assess the new opportunities emerging for British traders. He said that the pattern of China's trade with the West would be determined largely by the so-called 'leap forward' in industrial and agricultural production. This could open up prospects for a considerable increase in trade between China and Britain assuming that Chinese exports could be increased roughly in step with the import of British manufactured goods. Also visiting China during the past four weeks were representatives of a

number of member companies of the '48 Group'.

China/Europe Trade—In France, the Chinese Economic and Technical Delegation visited about 200 factories, railway workshops, schools, farms, technical and scientific institutes. The delegation also negotiated the purchase of French dump trucks and electric locomotives as well as the hiring of French technicians. Another Chinese mission will soon visit France to buy French textiles, chemical products, industrial and transportation equipment. Meanwhile, Paris announced the opening of quotas for the import of Chinese produce (in the first half of 1958) including egg yolks, hog bristles, hog casing, musk, green and black tea, soya beans, woodoil, essential oils, turpentine, raw hides, skins, raw furs, finished furs, raw silk and wastes, ramine, hemp and various industrial raw materials.

In Bucharest, Rumania and China signed an agreement providing for a big increase in trade between the two countries this year. China will ship tin, leather, tyres, steel products, jute, shoes and other goods to Rumania and in return import Rumanian tractors, trucks, petroleum and chemical products, equipment for cement plants and power stations.

With Hungary, China signed (in Peking) an agreement on the exchange of goods for 1958. The agreement provides that China will supply Hungary with minerals, animal by-products, foodstuffs, silk and silk piecegoods, tyres, railway cargo waggons, looms, woollen piecegoods and paper. Hungary will supply China with power stations, vehicles for highways and city traffic, tractors, diesel engines, diesel locomotives, rolled steel, water pumps, scientific instruments, telecommunication equipment and pharmaceuticals.

A Sino-Albanian protocol was signed in Tirana. Albania will supply oil, copper and cotton piece goods. China will supply wheat, silk, woollen cloth, paper, tea, rubber tyres and other industrial goods.

China/Canada Trade—A Canadian milling company sold 250 long tons of wheat flour to China in a C\$24,000 deal. The company is now negotiating further shipments. Reports from Toronto revealed that the American Ford Motor Company had recently prevented its Canadian subsidiary from selling 1,000 cars to China. A member of the Ontario Legislature called for a law which would prevent American car companies from blocking the sale of Canadian cars to China.

China/SE Asia Trade—To Colombo, Peking offered 100,000 tons of rice in addition to the 200,000 tons already earmarked under the rubber/rice pact. Ceylon will soon send a purchasing mission to China to look into a wide range of goods and machinery offered

by Peking. To help Colombo out of the troubles caused by the recent flood, Peking offered a loan of 50 million rupees to be repaid in four equal instalments within ten years at an interest of 2½ per cent. When the current rubber/rice deal was signed last year, China offered a sum of 75 million rupees to Colombo for a rubber rehabilitation scheme.

China is also helping North Vietnam to develop 18 different types of industries. According to an agreement signed in Peking, Chinese Economic Aid to North Vietnam will amount to some 800 million yuan; Peking will supply Haiphong with goods such as cotton, cotton yarn, paper, steel materials, electric wires, machinery, chemicals and consumer goods.

HK IMPORTS & EXPORTS

Hongkong's entrepot trade in March remained stagnant. Demand from Japan, UK, Europe and other sources for produce improved but limited supply from China restricted the volume of business. Korea, Taiwan, SE Asia were interested in paper, metals, chemicals, pharmaceuticals but interest was centred on a small number of items and transactions were handicapped by low buying offers. In the case of Indonesia, one of Hongkong's important markets in SE Asia, civil war there restricted cargo movements between HK and Djakarta. Consequently, exports in March amounting to \$220.57 million were \$15 m. less than in February and \$63 m. lower than in March 1957.

Imports at \$368.26 million were \$23 m. higher than the preceding month mainly because China sent here more light industrial products in addition to heavy food shipments. Japan also shipped here more cement and wheat flour. Compared with March 1957, however, imports were \$104 m. lower; there were less paper, metal, chemicals, pharmaceuticals from Japan, UK and other manufacturing countries. High indent costs from suppliers in contrast to low counteroffers from buyers discouraged local dealers from booking heavy replenishments in spite of the fact that stocks of most popular items had dwindled to a very low level.

HK/China Trade—In addition to regular heavy shipments of foodstuffs, China sent here several thousand tons of coal and a great variety of light industrial products. Disregarding the quality factor, Chinese cotton blankets, electric fans, window glass and fountain pen are even cheaper than Japanese products. Chinese mild steel round bars and cement are offered to HK at very attractive prices although supply is limited to small quantities. Chinese towel is under-selling local products and heavy imports of leather shoes from Canton and Shanghai are forcing local shoemakers to cut their profit to a minimum. In spite of the shortage of sugar in China, Canton last month shipped here 300 tons of sugar and unloaded it on the market

at prices much lower than Taiwan products. According to reports from Peking, China has to import 190,000 tons of sugar this year to meet its domestic shortage!

On the other hand, imports of tea, beans, rosin, garlic, woodoil and other produce (which Japan, Europe and other buyers are particularly interested in) were limited to small lots. Authorities in Canton, however, are inviting local businessmen to attend the Export Products Exhibition which will be opened there on April 15. Popular produce such as silk, tea, animal by-products, grain, oil, as well as machinery, metals, machine tools, household ware and a long list of light industrial products will be on sale at the Exhibition. Trade officials from Shanghai, Peking and other Chinese industrial centres will also be stationed at the Exhibition to negotiate the purchase of various essential supplies and equipment from Hongkong and other foreign businessmen.

Meanwhile, a knitting machinery distribution company started operation in Kowloon. This company is representing several Shanghai factories which manufacture knitting machinery and equipment; hire-purchase facilities will be offered to local factories. A cotton spinning mill here bought a complete set of equipment and machinery from Peking; deliveries will begin next month and installation will be completed by year-end.

Demand from China for steel plate and a few other items of metals remained keen but counteroffers from Canton and Shanghai were too low in most cases while prices in the local market firmed. There were enquiries for saccharine crystal but Peking finally ordered the supply direct from Japan.

HK/Japan Trade—There were more orders from Japan for scrap metals but quantities involved amounted to only a few hundred tons. Demand for produce was limited to a few items and purchases were restricted by supply shortage here. Japan's purchase of produce here will remain spasmodic because Japanese importers will continue to procure supplies direct from China and SE Asia whenever possible.

Imports from Japan remained heavy; in addition to large shipments of cement and wheat flour, substantial quantities of bean oil, glass, fruits, china, blankets, radio receiving sets, rayon products, canned food and sundries arrived regularly. Imports of cotton textiles, paper and metals, however, slowed down because re-exports of these items to SE Asia failed to improve.

To promote sales of steel products, Japanese firms in HK are accepting orders from local dealers for Japanese steels without demanding deposits. At present there are 30 representatives or branches of Japanese firms in Hongkong, all trading in similar commodities.

HK/UK Trade—UK textilemen's renewed and intensified attempt to

restrict imports of HK grey sheeting was the most important development in HK/UK trade. The Permanent Secretary to the British Board of Trade, Sir Frank Lee, came here from London to convince HK mill-owners that a policy of self-restraint at present may pay dividends in the long run. Mr. H. A. Angus, Director of Commerce and Industry of Hongkong, also urged local cotton textile manufacturers to offer a ceiling of HK exports. Hongkong industrialists however considered a restriction of HK textile products to UK may undermine the whole foundation of the Colony's tradition of free enterprise and lead to slow strangulation of every industry in Hongkong. Their fear was confirmed last week; in London a Conservative M.P., Mr. John Peyton, suggested in the House of Commons that Hongkong should be asked to put a voluntary limitation on gloves as well as cotton cloth export to Britain.

British Government has thus far repeatedly said that it would be unwise to impose unilaterally any restrictions on imports of Commonwealth cotton goods. The official view is that an agreement between industries involved would be of more value than any government sponsored scheme. Sir Frank stressed on his arrival that he had come here without threats, promises or proposals nor had he come here to negotiate. At a meeting with local textilemen, Sir Frank made it clear that he was in HK on behalf of the UK Government, not the Lancashire millowners. He explained the views of the Lancashire cotton industry but did not mention or suggest any ceiling figure for exports.

The first stage of the 'negotiation' was unsuccessful. Sir Frank failed to convince HK textilemen that it is either good business or good sense to commit themselves to a ceiling figure. Members of the HK Cotton Weaving Manufacturers' Association were unanimous in opposing the creation of a 'voluntary' quota because: (1) HK is a Crown Colony, and all its exportable commodities should enjoy Imperial Preference as set down by the Ottawa Conference of 1931. (2) Hongkong cloth exported to UK in 1957, totalling 71 million square yards, is negligible when compared with UK's total cloth imports. (3) UK has done little, if anything, to solve the refugee problem in Hongkong and local industries are providing jobs for these refugees. (4) UK exports to HK amounted to \$660 million in 1957 (an increase of 23 per cent over 1956) whereas total imports from HK was only \$330 m. (an increase of only 12 per cent over 1956).

The 1957 annual report of the HK General Chamber of Commerce pointed out that "the agitation Lancashire bent upon the restriction of imports of grey cloth from Hongkong continues apace and is increasing in intensity." It commented: "So much has been said regarding the import situation in Lancashire over the years that it would be of interest to note the figures for 1957

show that Lancashire's purchases from India amounted to 182,123,000 square-yards as against 127,482,000 square-yards in the previous year. Lancashire's imports from Hongkong increased from 55,859,000 square-yards in 1956 to 71,095,000 square-yards last year. The Colony's particular case appears to be misrepresented; we are always bracketed with India and Pakistan in the matter of a voluntary quota in cotton exports to the United Kingdom." The Chairman of the Chamber, Mr. Cedric Blaker, commented: "It seems less than realistic to view the production of Hongkong's 300,000 spindles and 5,000 looms as a menace to Lancashire with its 25 million spindles and many thousands of looms. This lack of realism seems even more pronounced when it is noted that against the UK's production of 2,124 million square yards of grey cloth in the first 11 months of 1957, imports of this commodity from Hongkong over the whole year totalled only 71 million square yards."

Last week, however, the HK cotton textile industry announced its willingness to carry on further negotiations for a ceiling arrangement on the export of grey cloth to UK. Sir Frank was told that any discussion of terms and conditions of such an arrangement would have to take place after the results are known of the forthcoming talks in London between representatives of Lancashire, India and Pakistan. Hongkong industrialists also stipulated, as a part of any agreement that might be reached, that it would consider itself released from its obligations if: (1) the voluntary agreement was used as a precedent by other countries for applying restrictions on imports of HK products; (2) significant employment and unrest resulted from restrictions on the export of textiles; (3) restrictions were applied to other items of HK manufactured exports to UK. They also emphasized that future discussions must be confined only to the retained portion of grey cloth; bleached and finished piece goods should not be included.

Meanwhile, UK importers continued to buy large quantities of grey sheeting, rubber shoes and other HK manufactures from here. Purchase of produce however was limited to a few items only. Total exports were much lower in quantity and still less in value than imports from UK which included automobiles, base metals, provisions, frozen food, cigarettes, piecegoods and other consumer goods.

HK/Europe Trade—Imports remained active throughout the month. Replenishments of paper, metals, chemicals, pharmaceuticals were limited to small quantities but imports of automobiles, rayon yarn and other textiles, photo supplies and equipment, dairy products, beer, frozen food and other consumer goods remained heavy.

Demand from Europe, particularly from West Germany, for grey sheeting and other HK products showed slight

but encouraging improvement. On the other hand, import restrictions in France may affect shipments of HK manufactured leather goods, knitwear, clothing, cigarette lighters, made-up goods of woven fabrics, and cotton textiles to that market. Exports of produce to Europe remained on a low level chiefly due to the supply shortage in the local market.

HK/US Trade—Imports of petro products, cotton, old newspapers, black-plate, air conditioning units, automobiles, wheat flour, fruits, provisions, cosmetics and other consumer goods totalled only about 6,000 tons. Exports, consisting chiefly of HK manufactured goods, amounted to about 5,000 tons. Demand from US for woollen gloves this year is weaker than last year; export prices are also lower. Competition from Japanese products is intensifying in US markets. Leading local industrialists are urging shipping companies to reduce their freight charges in order to promote exports of HK manufactures. Mr. Haking Wong, Chairman of the Chinese Manufacturers' Association, points out that the sale of rattan furniture to US decreased last year after shipping companies had increased freight rates indirectly by adopting a new method of cargo measuring. He thinks that freight rates should be brought back to the level of September 1956. Exports of shirts to US also declined. A president of HK Garment Manufacturers' Union advises local garment industry not to rely too much on the American market; he urges exporters to search for other markets because US, which absorbed \$13.4 million worth of shirts last year (\$1.3 m. in 1956), may restrict such imports in the near future. On the other hand, demand from US for cotton piecegoods, plastic toys, slippers and torch cases is very steady at present.

HK/Thailand Trade—Over 20,000 tons of rice arrived from Bangkok. There were also regular consignments of live cattle, beans, bamboo cane, teak squares and logs from Thailand. These steady imports from Thailand enabled Bangkok to maintain purchases from here at a high level. Demand however was centred on Chinese garlic, nails, towel, blankets, glass and Hongkong manufactured knitwear, plastics, paints, enamelware, torch, vacuum flask and other metalware. Demand for paper, chemicals, pharmaceuticals and metals was also steady but low counter-offers from Bangkok restricted the volume of these purchases.

HK/Indonesia Trade—Cargo movements between HK and Indonesia dwindled to a trickle due to the fighting there between the Central Government and Revolutionary forces. Exports totalled only a little over 1,000 tons and consisted chiefly of cotton textiles to Djakarta. The lack of sufficient foreign exchange in Djakarta also restricted the volume of purchases from here. Importers there found replenishments from HK too expensive on account of the high premium on exchange certificates they had to pay.

Prospects of better demand from Djakarta are very dull because under the reparations agreement between Indonesia and Japan, large quantities of Japanese goods will be shipped direct to Djakarta beginning April; such consignments will include cotton textiles, construction materials, building equipment, paper, machinery and other essential supplies and equipment. The civil war in Indonesia also restricted trade between HK and territories outside Java.

HK/Malaya Trade—Demand from Singapore and Malaya for HK manufactured metalware, plastics, sugar as well as for Chinese foodstuffs and provisions remained steady. The flow of these commodities from Malayan ports to Indonesian markets continued active although the volume was reduced on account of Djakarta's intensified preventive measures. The drop in freight charges for cargo from here to Singapore and Malaya did not stimulate shipments from here to these markets to any appreciable degree.

Export of locally-distilled Chinese-type wine to Singapore declined after authorities there had imposed an import duty of M\$27 per gallon on this item.

HK/Philippines Trade—The first 1958 shipment of mangoes arrived here early in the month. During the first half-month, orders reached here covered only small quantities of red beans, structural steels, pharmaceuticals, paper and Hongkong products because Manila restricted imports to essentials only. Towards month-end, Manila merchants absorbed more metals, pharmaceuticals, metalware and other HK manufactures from here after authorities there had eased restrictions on imports and started to allocate foreign exchange for imports under the quota for the first quarter; interest however was centred on a few items only and quantities involved were still small. Manila also allowed traders there to use 25 per cent of foreign exchange earned from exports for importing non-essentials except luxuries. Improvement however was limited because Manila maintained the policy of obtaining supplies direct from producing countries whenever possible and retained the ban against imports of Communist goods.

HK/Korea Trade—Seoul earmarked more foreign exchange for essential imports. Purchases of paper, chemicals, metals, pharmaceuticals, wheat flour and other merchandise from here were limited to small lots because Seoul also maintained the policy of obtaining supplies direct from US, Japan, Australia and other manufacturing countries whenever possible. In the case of paper, transactions were also restricted by the limited supply of European paper in the local market. Imports of gallnuts, agar agar, cotton yarn and other produce from Korea remained insignificant.

HK/Taiwan Trade—In addition to large consignments of sugar, Taiwan

shipped here cement, starch, plywood, tea, feather, ginger, camphor wood and onion. Local metal dealers also booked some mild steel round bars from Taiwan. Exports of paper, chemicals, pharmaceuticals and other essentials to Taiwan remained on a weekly average of about 200 tons. Optimistic local traders are hoping that the break-up of trade relations between Japan and Taiwan may indirectly stimulate trade between HK and Taiwan. The majority of local businessmen however have doubts about such a possibility.

HK/Cambodia Trade—Imports from Cambodia averaged about 1,000 tons a week; principal items included rice, beans, feather, sesame, maize, live hogs and cattle with rice constituting the bulk of the tonnage. Orders from Phnompenh covered chiefly structural steels, chemicals, cotton textiles, enamelware, torch and batteries, sugar and sundries; quantities involved however were moderate. Although Phnompenh allocated more foreign exchange for essential imports, merchants there were buying more supplies such as cement, cotton textiles, glass, sugar, from Japan than from the local market.

HK/Laos Trade—Following the allocation of US\$1.6 million in Vientiane for imports, more orders reached here for cotton textiles, metals, paper and various consumer goods. The volume of these purchases from here however was still small; importers there procured the bulk of their supplies from Japan direct.

HK/Vietnam Trade—Saigon earmarked US\$11 million for essential imports. Orders reached here covered office equipment and supplies, metals, paper, fruits, medicinal herbs, vacuum flask, torch batteries, metalware and other essential supplies and equipment. The volume of these purchases was also small. Importers in Saigon considered HK quotations too high in most cases on account of the advanced exchange rate there for HK dollars. Imports from South Vietnam were limited to insignificant quantities of rice, feather and other staples.

Haiphong bought several hundred tons of tyres, paper, cement and other essentials from here. Prospects of better demand from North Vietnam are dull because according to a \$6 million trade agreement signed between Japanese businessmen and Haiphong officials, Japan will supply North Vietnam with steel products, industrial and agricultural machineries, vehicles, vessels including fishing junks, timber, chemical fertilisers, fibres including textiles in the next 12 months. In return, North Vietnam will supply Japan with phosphate, iron ores and other minerals, and agricultural products (excluding rice).

HK/Burma Trade—Rangoon ordered 1,700 tons of wheat flour from here but orders for pharmaceuticals, cotton textiles, chemicals, metals, foodstuffs, torch, camphor products, groundnut oil

and other consumer goods were limited to small quantities. Authorities there issued only a small number of import licences due to the limited supply of foreign exchange. During the second half-month, freight charges for cargo from here to Rangoon was slightly lowered. Local dealers anticipated better demand from that market beginning April; improvement however would not be very impressive.

HK/Australia Trade—Hongkong products constituted about 50 per cent of exports to Australia; principal items included cotton textiles, shirts and other garments, umbrella, sawn timber, gloves, rattan and hardwood furniture. Textile exporters here are hoping that demand from Australia for cotton piecegoods will improve after the lifting of import ban there on printed cloth in April. On the other hand, competition from Japanese goods in Australian markets is intensifying. Under the stimulus of the Australian/Japan trade agreement, Japan's exports to Australia totalled A£13 million during the 7-month period ended January 1958; the total for the corresponding period of 1956/57 was A£7.7 million.

Imports of frozen meat, wheat, flour, hide, wooltops, fruits, dairy products and pharmaceuticals remained on a weekly average of about 1,000 tons.

HK/New Zealand Trade—The Prime Minister of New Zealand, Mr. Walter Nash, stated that restrictions introduced recently by his government against HK exports were caused by the shortage of import funds. He assured however that New Zealand was not contemplating further restrictions at present.

HK/Africa Trade—Exports of Hongkong products to African markets declined slightly. Shipments of matches, firecrackers, rayon and cotton textiles, plastics, enamelware and other metalware to East Africa totalled only about 2,000 tons; exports to West Africa amounted to 1,600 tons and to South Africa only 1,000 tons. Imports, totalling 4,000 tons, came chiefly from East Africa and consisted mostly of cotton, groundnut, groundnut oil, tobacco, ivory and tanning extract. South Africa sent here hide, fruits, canned food and beans but quantities were very limited.

Morocco introduced import quotas on a list of 'less essential' goods. These quota restrictions may adversely affect HK's exports of footwear, hurricane lantern, clothing, hosiery and other consumer goods to that market.

HK/Canada Trade—Wheat flour, paper products and provisions remained principal imports from Canada. Exports failed to improve and consisted of only a few hundred tons of rubber shoes, rattanware, underwear, cassia, sesame and woodoil.

The HK General Chamber of Commerce and the HK Exporters' Association sent a note to the Canadian Tariff Board in Ottawa opposing the proposed

increase of import duty on rubber footwear. The Canadian Tariff Board was also considering to increase import duty on cotton textiles.

HK North Borneo Trade—North Borneo shipped here over 7,000 tons of timber, rubber, firewood, scrap iron and tanning extract with timber making up the bulk of the tonnage. Exports amounted to about 2,000 tons consisting chiefly of construction materials and foodstuffs.

HK COMMODITY MARKETS

Produce—Demand from Japan, Europe and other sources for a selective number of items was steady throughout the month but the trading volume was still small because supplies from China remained restricted and replenishments from SE Asia increased in cost. Prices in general were steady particularly those of oils, oilseeds, animal by-products, feathers and camphor products. Other popular items were raw silk, coir fibre, silk waste, rosin, garlic, dried chilli, bamboo cane, agar agar, tea, walnut meat, turpentine, black bean, red bean and soya bean. Chinese soya bean was imported by local dealers from Europe to meet the demand from Australia and Japan because cost was lower than that for direct supply from North China. Many local dealers will go to Canton for the purchase of various popular staples at the Export Products Exhibition to be opened there on April 15.

Metals—Exports to SE Asia remained on a restricted volume. Thailand was interested in structural steels, pipes, steel plate, blackplate waste; Philippines in structural steels and steel plate; Laos and Cambodia in pipes, steel plate, galvanized iron sheet and structural steels; North Borneo and South Vietnam in round bars and corrugated iron sheet but most transactions fell through because buying offers were too low. Japan and Taiwan absorbed some scrap metal from here but quantities involved were moderate. Enquiries from China covered pipes, steel wire rope, steel plate, blackplate and tinplate waste, galvanized iron sheet; firm prices here however discouraged heavy purchases. Prices for most popular items remained very firm on the market throughout the month. The announcement of price cuts made by British steel industry on March 28 in London had no immediate effect on the local market. According to a London report, the cuts range from one per cent on shipbuilding steel to three per cent on grades used by the can-making industry. This is the first reduction in British steel prices in 20 years. CIF quotations from Europe were slightly lower on account of the reduced freight charges. The drop however was insignificant because cost prices remained firm. On the other hand, freight charges for blackplate from US to HK might be increased.

Paper—Korea's interest was centred on woodfree printing, sulphite, tissue,

cellophane, aluminum foil and cigarette paper but short stock here of European products limited the volume of business. Korea therefore turned to US, Europe and Japan for the bulk of its supplies. Popular items which retained steady demand from SE Asia included newsprint in ream, art printing, woodfree, poster, kraft, sulphite, manifold, cellophane, aluminum foil and cigarette paper in ream. Dealers here booked some replenishments from Japan, China and Europe to meet the demand from SE Asia, Korea and Taiwan. Japanese and European indents however were still too expensive while supplies from China were limited. Consequently, prices here remained firm which in turn restricted the volume of trade.

Local demand for various printing, packing and writing paper remained steady but the total consumption is very small compared with the volume of exports. Paper dealers here reported reduced business this year as compared with 1957 which had already declined from the 1956 volume.

Industrial Chemicals—There were more enquiries than orders from Thailand, Burma, Cambodia, Indonesia, Taiwan and Korea for sodium hydro-sulphite, sulphuric acid, citric acid, ammonium bicarbonate, bleaching powder, caustic soda, calcium hypochlorate, petrolatum, lithopone, shellac, formalin, chlorate of potash, gum arabic, tanning extract, and rubber accelerator. In spite of the fact that local market quotations were very low, most transactions fell through because buyers considered prices here still too high. Local factories provided limited demand for sodium bicarbonate, sodium nitrate, citric acid, caustic soda, calcium hypochlorate, shellac, lithopone and petrolatum but quantities involved were too small to stimulate the market.

Pharmaceuticals—At the beginning of the month the abnormal weather here brought more customers to local dispensaries for cough drops, penicillin tablets, APC tablets and other patent medicines. Fine chemicals such as aspirin, sulfonamides and phenacetin also enjoyed unexpected demand from local pharmaceutical manufacturers. The market however turned quiet towards month-end because export demand was not keen; local dealers were also unable to supply the right item at the right price in most cases.

Cotton Yarn—The spot market was quiet. HK yarn was firm during the month but eased slightly towards month-end under the pressure of weak market for Pakistan and Indian products which declined steadily on account of heavy imports, sluggish demand, and marked-down indents. Japanese fine yarn was also firm during first half-month but weakened towards month-end. Korean and Taiwan brands were steady because supply was not heavy.

Cotton Piecegoods—Hongkong grey sheeting retained strong demand from

UK, Africa, West Germany, US and other overseas buyers. Japanese greys however eased under heavy stock although indents had firmed; orders from Cambodia and Indonesia were only for insignificant quantities. Chinese grey also followed a weak trend. It was estimated that at the beginning of the month there were about 200,000 pieces of Japanese and Chinese grey sheeting on the market without buyers.

Rice—The market was active with prices moving within a narrow margin. Imports from Thailand and Cambodia remained heavy but local retailers absorbed substantial quantities from importers regularly and indents from Bangkok and Phnompenh were firm. Dealers also imported rice from China and Burma but quantities were insignificant when compared with imports from Thailand and Cambodia.

Wheat Flour—In spite of orders from Korea, Burma, Singapore and Malaya, Hongkong brands failed to maintain early month prices under the pressure of cheap Japanese products which arrived in large quantities during the month. Canadian, American and Australian brands were sluggish; prices dipped to a record low level.

Sugar—Taiwan granulated sugar enjoyed a brief spell of steady price in mid-month with orders from Cambodia and North Vietnam. Prices dipped again towards month-end when more supply arrived from Taiwan. Furthermore, China shipped here 300 tons of granulated sugar at a price much cheaper than Taiwan sugar. Consequently, HK products were also marked down slightly. Brown sugar remained sluggish throughout the month; demand was weak while stock heavy.

Cement—Japan shipped here a considerable quantity of cement but prices here remained steady because local consumption continued strong while imports from China were limited to small consignments. Hongkong cement also enjoyed strong local demand; prices were firm.

HK COMMODITY PRICES

PRODUCE

Aniseed Star—Kwangsi, export quality, £107 per ton c & f Europe. **Cassia**—Ligne, Kwangtung/Kwangsi, Rs 8 per 80-lb bale cif India. **Coir Fibre**—Szechwan, £138 per metric ton c & f Japan. **Goose Feather**—HK processed, GGS 90%, 6s 2d per lb c & f Europe. **Hen Feather**—HK dyed, 11d per lb c & f Europe. **Garlic**—Kwangtung, toasted, 1st quality, £118 quintal; 2nd, £101.50 quintal. **Menthol Crystal**—HK brands, \$37 per lb. Shanghai, \$37. Taiwan, \$31. **Camphor Tablets**—HK, 1/16-oz tablets, \$3 per lb; 1/8-oz, \$2.90; 1/4-oz, \$2.85; 1/2-oz, \$2.80 lb. **Jute**—Thailand, new, \$43 picul. **Dried Chili**—Hunan, new, \$105 picul. **Roio**—South. China, mixed, A grade, \$102 quintal; M grade, \$59/10/0d per metric ton c & f UK. **Sesame**—Africa, yel-

lowish, \$95 picul. Thailand, brown, \$98 picul; brown, \$86. Cambodia, brown, \$81; black, large, \$96. **Aniseed Oil**—China, in drum, 8s 8d per lb c & f Europe. HK, in drum, \$805 picul. **Citronella Oil**—Hainan, forward, 4s 10d per lb c & f Europe. Taiwan, forward, US\$0.70 lb c & f New York. **Cassia Oil**—China, 80/85%, in drum, \$1,350 picul. **Turpentine**—China, in drum, 1st grade, forward, £71 per metric ton c & f Australia. **Woodoil**—China, refined, in bulk, forward, prices per long ton: £125 c & f Australia; £130 c & f New Zealand; £120 c & f Canada. **Bitter Almond**—Tientsin, red membrane, new stock \$180 picul. India, old, \$70. **Bee Wax**—China, special grade, \$500 per picul ex-stock or \$475 per metric ton c & f Japan. **Gallnut**—China, \$410 per metric ton c & f Japan. South Korea, \$310 per picul. **Dried Ginger**—Hunan, white, peeled, 1st quality, \$3,200 per metric ton. **Maize**—Cambodia, yellow, \$23 picul. Burma, white, \$21.50. **Black Bean**—Kwangsi, small, new, \$46 picul. Shanghai, \$56 picul. **Green Pea**—Kiangsu, large, forward, \$52.50 picul. Thailand, large, new, \$75. **Red Bean**—South Vietnam, new, \$37 picul. Kiangsu, \$68.50. **Bamboo Bean**—Burma, white, \$28 picul. Kweichow, forward, \$24. South Vietnam, \$34. **Soya Bean**—Dairen, new, \$46.80 picul. Africa, \$45. **Groundnut**—Tsingtao, shelled, assorted 28/30, new stock, \$125 picul. **Haricot Bean**—Chekiang, \$70 picul. **Groundnut Oil**—Africa, in drum, \$133 picul. China, Tsingtao, new, in bulk, forward, \$125 picul. Indonesia, old, in drum, \$115 picul. **Soya Bean Oil**—Japan, spot, \$106 picul.

METALS

Mild Steel Angle Bars—Europe: 3/16" x 1-3/4" x 1-3/4", \$43.50 picul; 1/2" x 4" x 4", \$39.50. **M.S. Flat Bars**—Europe: 1/8" x 1/2", \$46 picul; 1/8" x 3/4" and 1", \$44; 3/8" x 2-1/2" to 4", \$43. HK: 1/8" x 3/4" to 1" and 1/4" x 1/2" to 1-1/4", \$36 picul. **M.S. Round Bars**—Europe: 3/4" dia, \$32.50; 1-1/8" dia, \$35.50 picul. HK: 1/4" to 7/8" dia, \$34 picul; 1" dia, \$35. **M.S. Square Bars**—Europe: 5/8" to 7/8", \$43 picul; 1", \$42. **M.S. Plates**—Japan, 4' x 8': 3/32", \$53 picul; 1/8" and 1/4", \$43; 3/8", \$44. **Galvanized Steel Plain Sheets**—UK, 4' x 8', 1/8", \$0.57 per pound. **Steel Wire Rope**—UK, 24 x 6 x 7: 103/4", \$1.65 per lb; 2", \$1.45; 2-1/2", \$1.35. HK, 24 x 6 x 720': 1", \$1.70; 1-1/2", \$1.30; 2-1/2", \$1.05; 3", \$1. **Tinplate Waste Waste**—Coked: UK, 18" x 24", \$82 per 200-lb case. Electrolytic: US, 18" x 24", 1 ton skid, \$73 per 200 lbs; UK, \$70.50. Misprint: US, 18" x 24" and larger, \$42 picul. **Blackplate Waste Waste**—UK, 18" x 24", G29/G33, \$42.50 picul. **Tin Plates**—UK, 20" x 28", \$126 per 200-lb case of 112 sheets with tin-lining. **Galvanized Iron Sheets**—Japan, 3' x 7': USSG 31, \$5.90 pc; USSG 34, \$4.30. **Aluminum Sheets**—Japan, 99.5% alloy, 4' x 8'. G20 and G22, \$1.95 pound. UK, roll-

ed, 99.5% alloy, 2' width, G22, \$1.92 pound. **Copper Sheets**—Europe, 4' x 8', 1/16", \$2.30 lb. **Pig Lead**—98% alloy, \$74 picul. **Foundry Lead**—\$75 picul. **Lead Sheets**—Europe, rolled, 5-cwt roll, 6 lbs per sq foot, \$0.85 per pound. **Galvanized Iron Wire**—Europe or Japan, G24, \$72 picul. **Piano Steel Wire**—UK, G14/G22, 22c lb. **Black Iron Pipes**—Europe, 18' to 22': 3/4" dia, \$0.46 per foot; 1" dia, \$0.60; 1-1/2", \$1; 2", \$1.25; 2-1/2", \$1.75. **Galvanized Iron Pipes**—Europe, 18' to 22': 1/2" dia, \$0.42 ft; 3/4", \$0.54; 1-1/4", \$0.95; 1-1/2", \$1.28; 2", \$1.60; 2-1/2", \$2.45. **Steel Box Strapping**—Japan: blue annealed, 5/8", G27, \$0.48 pound; cold rolled, black, 3/4", G20, \$55 picul. **Wire Nails**—HK: 5/8" x 19, \$73 per picul; 3/4" x 17, \$65; 1" x 15, \$55. Europe: 1/2" x 18, \$79 picul; 3/4" x 17, \$77. **Wrought Iron Scraps**—1st choice, \$235 per ton; 2nd, \$130. **Iron Plate Scraps** (ship salvage) 3/8" and over, \$23 picul. **Cast Iron Scraps**—\$16.60 picul.

PAPER

Newsprint—In reels, 31", 50/52 gr, prices per pound: US, 44½c; Canada, 44c; China, 43½c; Japan, 41c; Norway, 44c; Austria, 43c; Finland, 44c. In ream, 31" x 43": Europe, 50/52 gr, 50-lb ream, \$23 ream; Japan, 50 gr, 48-lb ream, \$19.50; China, 50 gr, 48/50-lb ream, \$22.50 ream. **Cellophane**—30 gr, 36" x 39": UK, \$71.50 ream; Japan, \$59/\$69.50; Italy, \$70; Sweden, \$70.50; France, \$61. **Flint**—Coloured, 20" x 30": Germany, 60/65 gr, 28-lb ream, \$33.50 ream; China, 31-lb ream, \$34. **Glassine**—White, 30 gr, 26-lb ream, 30" x 40": Europe, \$35.50 ream; Japan, \$33.50. Coloured, Europe, \$38.50 ream. **M.G. Pure Sulphite**—Norway, 20 gr, 17-lb ream, 30" x 40", \$13.50 ream. **M.G. Pure White Sulphite**—34 gr, 40-lb ream, 35" x 47": Sweden, forward, \$30 ream; Europe, spot, \$28.50. **M.G. White Sulphite**—40 gr, 47-lb ream, 35" x 47": Austria, \$31 ream; Czechoslovakia or Germany, \$30.30. **M.G. Pure Ribbed Kraft**—39 gr, 45/46-lb ream, 35" x 47": Austria, \$30.80 ream; Japan, \$30.50. **M.G. Ribbed Kraft**—Europe, 60/150 gr, 70/160-lb ream, 35" x 47", 69c per lb. China, 48-lb ream, 35" x 47", \$24.50 ream. **Art Printing**—UK, 31" x 43", 90 gr, 85-lb ream, \$96.50 ream. Japan, 88/90 gr, 83/85-lb ream, \$75. **Bond**—Europe, 60 gr, 32-lb ream, 22" x 34", white, with water mark and brand name, \$26.50 to \$31.50 per ream. Japan, similar quality, \$21.60 to \$23.50 ream. **Woodfree Printing**—Austria, 31" x 43", 60 gr, 57/60-lb ream, 76c lb. Japan, 60/100 gr, 57/100-lb ream, 68c lb. **Manifold**—White, 22" x 34": Europe, 30 gr, 16-lb ream, \$16.80 ream. China, 28 gr, 15-lb ream, \$12.20 ream. Coloured: Europe, 30 gr, 16-lb ream, \$18.50 ream; China, 30 gr, 15-lb ream, \$13.40. **Poster**—Japan, 58/60 gr, 56-lb ream, 31" x 43", \$41 ream. China, 19½ kilo, 42-lb ream, \$20.30 ream. **Tissue**—Norway or Sweden, 25" x 44", 17 gr, 13½-lb ream, for-

ward, \$16.40 ream. **Duplex Board**—Sweden, 31" x 43": 250 gr, 240-lb ream, \$142 ream; 230 gr, 220-lb ream, \$135; 300/420 gr, 280/380-lb ream, 64c lb. Czechoslovakia, 230 gr, 220-lb ream, \$118 ream. **Aluminum Foil** Italy, Holland and Germany, 50 gr, 28-lb ream, 20" x 26", thick, golden colour, \$73.50 to \$78 ream. Thick, silver colour, \$50 ream. **Cigarette Paper**—In ream, 20" x 30", 24 gr: Europe, \$14.80 ream; Japan, \$14.50; UK, \$13.70. In bobbin, 29 mm x 6,000 m: US, \$23.50 bobbin; France, \$17.50.

INDUSTRIAL CHEMICALS

Acetic Acid—Glacial, 99/100%, Germany, 25-kilo carboy, 80c lb; Italy, 78c. **Boric Acid**—UK, powder, 112-lb bag, 63c lb; Japan, 100-lb bag, 63c. **Carbolic Acid**—UK, 448-lb drum, \$1.15 lb. **Citric Acid**—Belgium, granular, 50-kilo barrel, \$2 lb. **Sulphuric Acid**—HK, 750-lb drum, 14c lb. **Ammonium Chloride**—UK, 1½-cwt gunny bag, \$690 per ton. **Bicarbonate of Ammonia**—UK, 2-cwt drum, \$707 ton. **Bicarbonate of Soda**—China, 50-kilo bag, refined, \$21 per bag. UK, 100-kilo bag, forward, \$46 bag. **Bleaching Powder**—UK, 35%, 50-kilo drum, forward, \$37.20 drum. **Caustic Soda**, —China, 200-kilo drum, \$106 drum. Germany, 400-kilo drum, \$540 per ton. **Chlorate of Potash**—Japan, 50-kilo case, 70c per lb. **Formalin**—UK, 504-lb drum, 37c lb. **Glycerine**—Holland, s.g. 1.260, 250-kilo drum, \$1.75 lb. **Gum Arabic**—Sudan, 100-kilo bag, \$1.03 lb. **Gum Copal**—Malaya, No. 1, 140-catty bag, \$212 picul. **Gum Damar**—Malaya, No. 1, 140-catty bag, \$265 picul. **Hyposulphite of Soda**—UK, 50-kilo paper bag, 30c lb. **Lithopone**—Germany, 50-kilo bag, 30%, 34c lb. **Petrolatum**—Germany, amber, 180-kilo drum, 23c lb. US, 377-lb drum, 38c. **Red Phosphorus**—France, 5-kilo tin, \$328 per case of 10 tins. **Rubber Accelerator**—Germany, 'D', 50-kilo drum, \$3.11 lb; 'M', 50-kilo drum, \$2.36 lb. **Lemon Shellac**—India, No. 1, 164-lb case, \$226 picul. **Soda Ash**—China, 80-kilo bag, \$25 bag. UK, 100-kilo bag, dense, forward, \$36.50 bag. **Tanning Extract**—Mimosa, 105-lb bag, 48c lb. **Quebracho**, 105-lb bag, 71c. **Ultramarine Blue**—Holland, 50-kilo barrel, \$85 picul. **Paraffin Wax**—US, 143 degrees AMP, 90-lb paper carton, \$80 picul.

PHARMACEUTICALS

Penicillin Oral Tablets—US, expiration date 1962, 66c per carton of 12 tablets each of 50,000 units, UK, 1961, 66c per carton of 12's. **Penicillin-G in Oil**—Procaine, with aluminum monostearate, 300,000 units per cc: UK, 1960, \$1.40 per vial of 10 cc; US, 1962, \$2.25 per vial of 10 c.c. **Dihydrostreptomycin**—UK, 1960, \$3 per vial of 5 grams. **Sulfadiazine Powder**—Australia, \$22 per lb. France, \$22.50. UK, \$22. **Sulfathiazole Powder**—Czechoslovakia, \$11 lb. UK,

\$11.20. Italy, \$11.20. **Sulfamerazine Powder**—Italy, \$19.50 lb. **Quinine Bisulphate Tablets**—Holland, \$3.35 per bottle of 500 tablets. **PAS Powder**—Italy, \$18.50 lb. **Aspirin Powder**—UK, \$3.20 lb. France, \$3.25. West Germany, \$3. **Amidopyrin**—France, \$18.80 lb. Germany, \$18.30. **Santonin** UK, \$370 per 1-kilo tin. **Vitamin B1 Powder**—France, \$200 per 1-kilo tin. **Vitamin B12 Powder**—UK, \$1,220 per gram.

COTTON YARN

Hongkong Brands: 10 counts yarn, \$760 to \$960 per bale; 12's, \$920; 20's, \$880 to \$1,050; 30's, \$1,300; 32's, \$1,280 to \$1,380; 40's, \$1,390 to \$1,480; 42's, \$1,580 to \$1,600. **Japanese Brands**: 32's, \$1,210; 40's, \$1,280 to \$1,300; 42's, \$1,430 to \$1,450. **Indian Brands**: 10's, \$710 to \$770; 20's, \$845 to \$960; 32's, \$1,120. **Pakistan Brands**: 10's, \$720 to \$820; 20's, \$870 to \$980; 32's, \$1,140 to \$1,270. **South Korean Brands**: 10's, \$820; 20's, \$980; 32's, \$1,270.

COTTON PIECEGOODS

Grey Sheetings—Chinese Brands: 63 x 64, 36" x 40 yds, \$34 pc; 72 x 69, 38" x 40½ yds, \$25.70; 60 x 60, 36" x 40 yds, \$31.80; 60 x 56, 36" x 40 yds, \$31.50. **Hongkong Brands**: 60 x 56, 36" x 40 yds, forward, \$36.50 to \$37.50 pc. **Indian Brands**: 44 x 48, 35" x 40 yds, \$23 pc; 40 x 36, 36" x 40 yds, \$22. **Japanese Brands**: 72 x 69, 38" x 40½ yds, \$26 per piece. **White Shirting**—Japanese Brands: 36" width, \$1.49 per yd.

RICE

Whole White Rice—Thailand, 100% whole, 1st grade, \$59.40 picul. **White Rice**—Thailand: special 3%, new, \$56.90 picul; 10%, new, 1st, \$54.30; 3-quarter rice, \$52. Cambodia: special, \$55.70; 1st quality, \$53; 2nd, \$49. North Vietnam: 1st, \$48. China: Canton, 1st, \$55.50; 2nd, \$45.30. **Chaimai**—Canton, 1st, \$58. **Seemew**—Canton, new, 1st, \$59.50. **Broken Rice**—Thailand: A1, extra, \$45.30; A1 special, \$43.50; A1 ordinary, \$39; C1 special, old, \$35.90; C2, \$32.90. North Vietnam, \$35. Cambodia, \$36.50.

SUGAR

Granulated—Taiwan, refined, No. 24, \$41.80 picul. Taikoo, fine, \$42. Japan, fine, \$42.80 picul. **Brown Sugar**—Taikoo, \$33.60 picul. Indonesia, \$38.50. Africa, 3rd grade, \$45.80. Cuba, \$36. **Candy Sugar**—HK, 2nd quality, \$36.50 picul. **Malt Sugar**—Thailand, \$37.50 picul.

WHEAT FLOUR

Australian Brands: \$38 per 150-lb bag; \$12.20 to \$13.70 per 50-lb bag. **American Brands**: \$27 per 100-lb bag; \$14.50 per 50-lb bag. **Canadian**

Brands: \$32 per 100-lb bag; \$15 to \$16.80 per 50-lb bag. Japanese Brands: \$11.60 to \$12.80 per 50-lb bag. Hongkong Brands: \$33.50 per 150-lb bag; \$12.20 to \$17 per 50-lb bag.

CEMENT

Ordinary Cement—Hongkong: Emeraldcrete, rapid hardening, \$7.70 per 112-lb bag; Emerald, \$6.30 per 112-lb bag and \$5.70 per 100-lb bag. Japan,

\$5.60 per 100-lb bag. China, 45-kilo bag, forward, cif HK ex-ship, \$110 per metric ton. White Cement—HK, Snowcrete, \$72.50 per 375-lb drum and \$16 per 1-cwt bag. Japan, \$14.50 per 1-cwt bag.

PROBLEMS OF HONGKONG

(Continued from Page 466)

that Government is a suppliant for grants from the Jockey Club. On the contrary, the practice is for the Jockey Club to approach Government periodically, to inform us that the club has available for distribution certain sums of money, and to ask us what projects we would wish to have paid for by them. Generally speaking there is little difficulty about agreement. In fact, the stage has now been reached where the Jockey Club not only provides the money, but does the work, so easing the strain on our architectural and engineering staff. This in itself is a most valuable contribution.

A good deal of attention was devoted in the debate to the economic future of the Colony, to the future place of industry in that economy and to the necessity for looking ahead. In 1955 I said that our policy should be to help industry by the grant of land, and by promoting exports, and by guiding our manufacturers and exporters through the tortuous paths of import and export licensing, exchange controls, preferential tariffs and the like. I was doubtful about the advisability of Government going into the financing of industry. Since then we have developed Kun Tong. We have reclaimed a considerable area, and we have developed it with roads and drainage, and we have laid out sites which we have sold by auction with bidding restricted to industry.

What has been the result? Although two sites for flat factory development have been sold, and although some new industries have bought land there for development, some of the buyers were not new industries, but already had factories, efficient factories, established elsewhere. I understand that these interests have bought the new cheap land with the intention of moving their existing factories there, so that they can sell their present sites at a profit. No doubt these present sites will then be developed for tenement housing. When we were developing Kun Tong we thought, and hoped, that we were providing for new industry; it is a little disappointing to find that, in some cases at least, we were merely affording existing industries the opportunity to realise a substantial capital gain.

So far as development of Lantau is concerned I do not think it is very likely that industries will move over there if they can get sites more convenient to the town. But we have taken the first step towards development on Lantau, that is, we have started road building. Electrical power is now available, and it is only a matter of time before we see considerable changes. Staff limitations alone at present must hinder us from planning industrial areas there while we are at work surveying much more accessible areas.

The question of discrimination against Hongkong products, which has been raised, is one which is causing Government grave concern. In every case where restrictions are proposed against Hongkong products, or where there is discrimination, Government protests and objects in the strongest possible terms. There are at present such instances as South Africa, New Zealand and the United Kingdom, and there will undoubtedly be more. But protesting and objecting can rarely get us very far, because we are a very small unit in the world pattern, and whilst Her Majesty's Govern-

ment supports us to the limit of its capacity, we are in the position that we have nothing to offer in return for any consideration that is given to us, because we have no restrictions and no tariffs. One main objection by many countries to the admission of Hongkong products is their extreme cheapness. In very many instances where Hongkong products are selling in some particular country, and competing with similar products made in that country, the animosity aroused, and the agitation that is commenced, is primarily and directly due to the fact that the price differential is so large; so unnecessarily large. If it were less, we should have much less trouble, and we would still compete successfully. And yet Mr. Clague wants us to make matters worse by providing manufacturers with money, or with land, or with factories, on easier terms than they can now obtain, so that they can reduce their costs and sell at even lower prices, so that even greater animosity will be aroused in those countries in which we are selling our goods. He would also expose us to the further charge that we were subsidizing our industry, a charge which, once made, would inevitably give rise to a veritable epidemic of restrictions against our goods.

A proposal for a Development Corporation was given serious consideration four or five years ago when the question of housing and slum clearance was being actively considered. The idea then was that the Development Corporation would itself carry out directly, housing schemes, slum clearance schemes, and land development schemes, acting as a non-profitmaking super landlord, or even as a sort of non-profitmaking land speculator, if that is not a contradiction of terms. At that time Government made the decision rather to set up a Housing Authority consisting mainly of the Urban Council, in order to deal with the immediate problem, but in the light of development since then, it may well be that a reappraisal of our policy might be worth while. Such reappraisal must necessarily precede the appointment of any committee. Government is by no means convinced that there is yet any shortage of capital for industrial development, especially now that the housing boom is slackening off, nor does it consider that the terms on which capital is available are unreasonable. If they were, how then could our products be sold abroad at such very low prices?

The branching out of industry into the making of new products, and publicity for our products abroad, are questions primarily for the Department of Commerce and Industry, to whose efficiency tribute has been paid in the course of the debate.